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Pensions & Investment Age

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Oklahoma might tap pension assets

By Fred Williams

OKLAHOMA CITY — Oklahoma Gov. George Nigh is eyeing the state's pension reserve fund as a possible source of revenue to help balance the state's 1986 budget.

Included in his budget package to the Legislature is the possibility of using up to $80 million from the fund.

The reserve fund principally is used to help fund the $1.2 billion Oklahoma Teacher Retirement System and to reduce the unfunded liabilities of the $58.3 million Oklahoma Law Enforcement Retirement System, the $173.2 million Oklahoma Police Retirement System and the $210 million Oklahoma Firefighters Pension and Retirement Fund.

The pension reserve fund was established by the Legislature in 1982, and is funded by a fraction of the state's gross production tax on natural gas. The first $125 million collected in the fund annually is earmarked for the Teacher Retirement System, with the balance allocated by the Legislature to the other retirement programs.

The state is facing a $121 million shortage of funds during the next fiscal year to continue state government at its current level. The Oklahoma Constitution mandates a balanced budget each year.

Leaders in both houses of the Legislature are opposed to tapping the pension reserve fund, sources say. No action has been taken on the proposal, and the governor has not yet pressed the matter.

Rodger Randle, a Democrat and president pro tem of the state Senate, said he will resist any attempt by the governor to use the fund for "any other state expenses."

Mr. Randle said the fund should continue to be used to help reduce the unfunded liability in the state's retirement systems, even though the pension funds now are "taking in more than they are paying out."

Mr. Randle said the state should not have to depend on taxes from a non-renewable resource such as natural gas indefinitely to help pay off the unfunded liabilities.

According to a spokesman, the governor believes using a portion of the fund would not jeopardize the state's retirement system and that if his program is adopted, there still would be about $100 million in the fund at the end of fiscal year 1986.

Jerry Canida, an auditor in the State Legislative Fiscal Office, said the fund has a balance of $66 million.

In 1982, the Legislature appropriated $59.2 million to the state's retirement funds from the starting balance of $66.9 million. The remaining $7.6 million was added to the 1983 fiscal year balance of $99.9 million, from which the Legislature appropriated $76.9 million.

In 1984, the Legislature appropriated $26.8 million from the fund, leaving the current balance of $66 million. In 1985, it is estimated $136 million will be available with scheduled appropriations of $31.3 million, leaving a balance of $104.7 million, according to Mr. Canida.

State officials say most of the appropriations from the fund are applied toward unfunded liabilities of nearly $230 million in the police pension fund, $309 million in the firefighters fund and $75 million at the law enforcement fund. ■

Cuts contributions by 10%

Camco opts for zeros

By Barry B. Burr

HOUSTON — Camco Inc.'s pension plan is financing $16.4 million in future liabilities with $1.5 million in zero-coupon Treasury securities.

Camco officials said the zeros will enable the company to cut its annual corporate pension contribution by about 10%, or $300,000 in 1985.

At the same time, Camco's investment might be part of a growing trend by pension funds to use zero-coupon securities. Pension industry observers view the securities, which lock up a return, as an option to guaranteed investment contracts or dedicated bond portfolios.

Zero-coupon securities come in a variety of names, such as treasury receipts, CATS (certificates of accruals on Treasury securities, issued by Salomon Brothers Inc.) and TIGRs (Treasury income growth receipts, issued by Merrill Lynch Capital Markets).

They are, in effect, modified Treasury bonds and notes and retain the full backing of the government as does any other Treasury security. Investment bankers strip off the semiannual coupons and sell the principal as a separate security. It is sold at a deep discount from the face value, received at maturity.

Like other investors, Camco receives only the maturing principal, no periodic interest from coupons. The difference between the discount price and the face value represents the accumulating interest.

By avoiding the risk of reinvesting coupon interest at possibly a lower rate, Camco locks in the bond's yield to maturity, said Herbert S. Yates, vice president-finance.

Camco bought its zero-coupon securities from Bear, Stearns & Co., New York, in September.

According to its latest data of Aug. 1, 1983, Camco's pension plan was about 55% overfunded on a termination basis. It had $7.4 million in assets, while the present value of its accrued liabilities, using an 8% assumed rate of return, was $4.7 million.

The company said the plan, started in 1974, now has about $8 million in assets; the company has

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Late news

Interfund transfer rule

WASHINGTON — Federal agencies imminently will issue interim guidance concerning transfers of surplus assets from one pension plan to another, said Charles Tharp, executive director of the Pension Benefit Guaranty Corp.

The issue of interfund transfers surfaced in an Internal Revenue Service letter saying the transfers were permissible under certain conditions.

However, government officials and pension experts say the controversial letter was silent on key sections of the law.

Audit finds excesses

ST. PAUL, Minn. — An audit of the state Public Employees Retirement Association found board members "at times exceeded their

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Tysons Corner Regional Shopping Center, McLean, Va.

4 funds are key in mall purchase

By Mark Westerbeck

Four tax-exempt funds are the major participants in a $168.9 million acquisition of the largest regional shopping mall in the Washington area.

The Alaska Permanent Fund, Juneau, Alaska, provided 14%, or $23.65 million, of the deal. The other funds reportedly include General Motors Corp., New York; British Gas, London; and Atlantic Richfield Co., Los Angeles. According to a source, GM was the key player in the deal, assuming a 50% stake.

The funds were joined to a much smaller degree by a limited partnership for foreign investors and a commingled pool for pension funds, both run by Lehndorff & Babson Real Estate Counsel Inc., Boston.

The real estate firm put the deal together for the Tysons Corner Regional Shopping Center in McLean, Va.

Lehndorff & Babson would not discuss even the nature of the pension funds in the deal.

The acquisition included roughly $147 million cash and the assumption of a $22 million mortgage on the mall building, carrying a 6% interest rate.

Representatives of the pension funds or their advisers — which in the GM case was believed to include Aldrich, Eastman & Waltch Inc., Boston — either would not comment on the acquisition or did not respond to telephone calls.

Lehndorff & Babson's $35 million closed-end pool for pension funds put $10.5 million into the deal.

A United States-based partnership, whose limited part-

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Thomas Lardner ... his firm put the deal together.

Reduction expected in financings

By Marci Baker

Yen-denominated Eurobond financings by U.S. companies ground to a halt at the end of January after an initial two-month influx of issuers into the marketplace.

Market congestion and less availability of bargain-basement swaps have fueled the retrenchment, investment bankers said.

When Japan's Ministry of Finance allowed highly rated U.S. issuers to enter the Euroyen market Dec. 1, no less than 16 issuers stepped up to offer almost $1.5 billion of the bonds.

Among them were Sears, Roebuck & Co., TRW Inc., Allied Corp., Dow Chemical Co., General Motors Acceptance Corp. and the Federal National Mortgage Association.

Corporate finance

Despite rumors that a number of large U.S. issuers still are looking to do Euroyen financings, some investment bankers expect fewer issuers to move into the market.

"The market has been very good up until recently," said Tetsuo Kadowaki, vice president-investment banking at Nomura Securities International Inc. in New York.

"I am very pessimistic that this will continue over the year to come," he said.

Still, the consensus is Euroyen bonds will evolve into an important financing option for U.S. companies in the long term. What is unknown is just how important that market will be.

"There's not a broad natural market for these yen deals yet," said Jay Thompkins, a managing director at Morgan Stanley & Co., New York. "If the total volume (for U.S. issuers) comes to $3 billion for the year, I would consider that good."

What led most issuers into the Euroyen market until now was the cheap funding costs that Japanese investment houses have offered through interest rate and currency

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2 Mobil subsidiaries dedicate pension assets

By Barry B. Burr

CHICAGO — Two subsidiaries of Mobil Corp. — Montgomery Ward & Co. and Container Corp. of America — put substantial parts of their pension assets into dedicated bond portfolios.

Another unit, Mobil Oil Corp., New York, as previously reported, also dedicated a large part of its pension assets.

Mobil Oil and the two Chicago-based subsidiaries have separate pension plans.

Ward and Container both hired Lincoln Capital Management Co., Chicago, to set up and manage the portfolios. Each put 30% of their pension funds into the bond portfolios.

Despite the similarities, officials of both companies said the dedications were coincidental and unrelated.

Besides the similar dedications, Ward and Container have several investment managers in common: Sanford C. Bernstein & Co., New York; Jennison Associates Capital Corp., New York; and Stein Roe Farnham, Chicago. In addition, Lincoln previously has managed fixed income for both funds.

Mobil officials couldn't be reached for comment.

Ward dedicated $200 million of its $660 million pension fund last November, said Charles H. Thorne, the company's news service manager.

A month before, Container put $83 million of its $277 million pension fund into a dedication technique known as horizon matching, according to a written statement by James R. Fallen, Container's treasurer.

Container officials said the dedicated bond portfolio's annual internal rate of return is 12.5%. Ward declined to disclose its portfolio's yield.

A Ward spokesman said the pension fund had $660 million in assets as of Sept. 30, up 12% from $591 million the previous year.

As of Jan. 1, 1983, the latest data, Ward said the present value of its pension liabilities, using a 7.5% discount rate, was $636 million, up 5.5% from the $603 million the previous year.

Container officials declined to disclose further information about their pension plan.

Neither Ward nor Container officials would reveal whether any investment managers were dropped due to the dedications.

However, Mr. Thorne said Ward continues to employ the aforementioned managers, plus Miller Anderson Sherrerd, Bala-Cynwyd, Pa.; Weiss Peck & Greer, New York; and Fidelity Management Trust Co., Boston.

Container officials declined to comment about current managers; the pension fund had employed, in addition to the others noted, Frontier Capital Management Co., Boston.

Officials of both companies declined to comment on the impact the dedications might have on their pension contributions and liabilities.

A dedication locks in a high yield on bond portfolios, mainly by avoiding reinvestment risk.

Because the returns have a greater certainty than those for, say, equity investments, pension plans often raise their assumed investment return, used to determine the corporation's annual pension contribution and present value of liabilities, and cut those contributions and liabilities.

Dedication, also known as cash-flow matching, matches a group of assets (the bonds) to a group of liabilities (some retiree benefit payments). Bonds are purchased so their cash inflows from coupon interest and maturing principal matches as closely as possible the periodic outlays required to pay benefits. ■

City fund uses 'new' collateral

By Trudy Ring

MINNEAPOLIS — The $600 million Minneapolis Employees Retirement Fund has made an unusual investment by pledging about $5.2 million in U.S. Treasury securities as collateral on government revenue bonds issued on behalf of a local company.

John Chenoweth, executive director and chief investment officer, said he doesn't know if the Minneapolis fund is the first pension fund to provide this option to a bank letter of credit on a revenue bond, but he has heard of no other instances.

"It certainly is a new approach to bond underwriting procedures," he said. The approach probably has not been widely used simply because people are not aware of it, he said. It is more common for bond recipients to use a bank letter of credit or for the issuer to pay for a bond rating.

The Minneapolis employees' fund has made an unusual investment.

The investment is desirable for several reasons, Mr. Chenoweth said.

Reinvestment of a fee paid by the local company will give the fund a substantial yield, while the investment is good from a social standpoint because it is in the Minneapolis area, he said.

The city of Minnetonka issued the $4.7 million in 10-year commercial development revenue bonds on behalf of the company, Woodbridge Properties Partnership, Minneapolis, to construct a three-story office building in the Minneapolis suburb.

Should Woodbridge default on the bonds, the retirement fund's Treasury securities would pay off the issue and the fund would own the building, known as the Minnetonka Financial Center. Also, Woodbridge has set up a 9-month reserve fund to pay interest on the bonds in the event of default.

Woodbridge paid the retirement

Continued on page 62

ESOPs used more to stop takeovers

By Steve Hemmerick

News analysis

Major companies increasingly are using leveraged employee stock ownership plans to try to avoid hostile takeovers or to take advantage of new tax laws.

Behind that increase is the realization among corporate executives that the establishment of an ESOP can help save their own jobs, which they might lose in a takeover, and allow them to share more in the wealth of the companies they help build.

They also can use an ESOP to help raise capital, and perhaps use that capital to rid themselves of speculators holding sizable shares of their company stock.

For example, Phillips Petroleum Co., the 16th largest company in the Fortune 500 and which has been fighting a succession of takeover bids, has announced it will establish an ESOP that will hold between 24% and 32% of Phillips' common stock.

According to several ESOP experts, most are established in companies with 1,000 or fewer employees; Phillips has 28,400 employees (24,000 of whom will be eligible to participate in the ESOP).

If more companies like Phillips begin ESOPs for whatever reasons,

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Late news

Continued from page 1

statutory authority and incurred costs which are unallowable or unreasonable."

Among the numerous "inappropriate expenditures" cited by the state legislative auditor were some involving C. Michael McLaren, who quit as PERA executive director last August.

Realty fund returns

WESTPORT, Conn. — A preliminary survey by Evaluation Associates Inc. of commingled equity real estate funds shows that on balance they did not keep up with bonds for the fourth quarter or the year 1984, but did outperform stocks.

The median real estate fund of those run by 52 money managers surveyed for the fourth quarter returned 3.4%, compared with 7.4% for the Shearson Lehman Government/Corporate bond index and 1.9% for the Standard & Poor's 500 stock index.

For the year, the median return of 51 real estate funds was 13.5%, compared with the bond index's 15% and the S&P's 6.2%.

Discrimination bill

NEW YORK — A bill has been introduced to the New York City Council that would forbid the investment of pension fund money in companies doing business in Northern Ireland that discriminate against Catholics.

The bill would permit investment in companies doing business in Northern Ireland if they endorse the "McBride Principles," according to the bill's author, Councilman Sal S. Albanese. He described those principles as similar to U.S. affirmative action programs.

He said that as of July, the portfolio of the $21.2 billion New York City retirement system had $247 million invested in 14 companies doing business in Northern Ireland.

Benefits-tax poll

WASHINGTON — Congress should not tax employee benefits, according to 77% of the general public and 80% of chief executive officers surveyed by the Roper Organization.

The poll also found that, of a list of seven items, the least favorite method of raising revenue was by taxing benefits. Greater preference was shown for boosting liquor and cigarette taxes, increasing the corporate income tax, and creating a national weekly lottery.

Late money movers

• NEW YORK — The $863 million Columbia University endowment fund has begun a major reorganization of its assets by hiring Capital Guardian Trust Co. and First Manhattan Co. for discretionary equity management, and by agreeing to sell the land under Rockefeller Center for $400 million cash.

• WASHINGTON — The $220 million Washington Metropolitan Area Transit Authority's pension plan for transit employees added four managers to run $160 million in assets effective March 1, according to William Serelis, supervisor-compensation and benefits.

Lazard Freres Asset Management, New York, and Shields Asset Management Inc., White Plains, N.Y., were picked to run $50 million each in balanced accounts. Dreman & Embry Inc., New York, was hired to run $27 million in equities, while American National Bank and Trust Co. of Chicago will run two accounts, $22 million in its market-expansion fund and $11 million in its Standard & Poor's 500 index fund.

• NEW YORK — The $1.2 billion General Foods Corp. pension trust, in White Plains, N.Y., made Chase Manhattan Bank its sole master trustee. Formerly, Chase was a trustee for the plan along with two other, unidentified banks.

• PITTSBURGH — The roughly $5 billion Rockwell International pension fund hired Mellon Bank in Pittsburgh as its new master trustee, replacing Chase Manhattan. Rockwell officials refused to comment on the move.

• MIAMI — The South Florida Electrical Workers Pension Plan and Trust has split its $18 million in pension assets evenly between two new balanced managers, Oppenheimer Capital Corp. and Lazard Freres Asset Management, both of New York, sources said. Montag & Caldwell Inc., Atlanta, previously the fund's sole manager, was dropped. Martin E. Segal Co., Atlanta, was the consultant.

Personnel news

• NEW YORK — William Miller and Michael Del Priore have joined J.M. Hartwell & Co., a move marking the growth manager's intention to pursue pension fund business.

Messrs. Miller and Del Priore previously were senior officers at Eberstadt Asset Management Inc.

• SACRAMENTO, Calif. — Jake Petrosino has been named chairman of the $25 billion California Public Employees' Retirement System. Mr. Petrosino replaces Richard Carlson.

• NEW YORK — David R. Hodes has resigned as vice president of marketing for Landauer Advisors Inc. to take the same position in the domestic pension operation at Richard Ellis Inc. Mr. Hodes joined Landauer in May.

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Federal Express puts $1.5 million in venture cap, mulls real estate

By Joel Chernoff

MEMPHIS, Tenn. — Federal Express Corp., in the process of revamping its pension asset mix, has made its first venture capital commitment and is on the verge of selecting two real estate managers and investing in an equity index fund.

The young fund soon will be boosted to $83 million from the influx of a $21.8 million contribution. It will continue its expanded asset allocation strategy adopted last year, explained Jeffrey Drinan, senior manager-trust investments.

The pension fund has set its target mix at 50% domestic stocks, 20% fixed income, 12% real estate, 11% international, 5% venture capital and 2% cash, he said.

The investments in real estate, international and venture capital mark new areas for the fund.

The changes will give the fund "greater diversity, more stability and a higher return over the long run," Mr. Drinan said.

The strategy is "slanted toward equities," he added. Because of the company's young work force, the fund can afford a little more volatility, he observed.

The new asset mix was started last spring by the hiring of Templeton Investment Counsel Inc., St. Petersburg, Fla., for a $12 million global account.

Now, the fund has decided to commit $1.5 million to a venture capital partnership managed by Welsh, Carson, Anderson & Stowe, New York, Mr. Drinan said.

In addition, the fund will commit $2 million each in the next few months to two real estate managers, and likely will add a third real estate manager for an additional $2 million commitment a month later, Mr. Drinan said. That will move the fund nearly halfway toward its total real estate target. He declined to name the managers.

The pension fund also will invest $8 million in index funds run by The Northern Trust Co., Chicago.

Federal Express put roughly $4.5 million in the futures fund last spring, but drained it to cover benefits and other expenses, Mr. Drinan said.

He said the pension fund uses the account as a substitute for cash equivalents, explaining the fund can achieve better returns over the long haul from the index fund.

In addition, Federal Express is adding $3 million to a $13 million equity account managed by Siebel Capital Management Inc., Larkspur, Calif., Mr. Drinan noted.

Federal Express' other equity managers are Batterymarch Financial Management, Boston, and Fred Alger Management Inc., New York. Wertheim Asset Management Services Inc., New York, was dropped last year because of poor performance, Mr. Drinan said.

All of the fund's fixed-income assets are invested in guaranteed investment contracts, but the pension fund is exploring other options, he added. ■

Corrections

• Figures for some insurance companies in the **PIPER** listings in this issue are net of fees.

Listings in both bond and stock funds are incorrect for: Aetna Life & Casualty; Crown Life, Ontario; General American, Missouri; Lincoln National Pension, Indiana; Manufacturers' Life, Ontario; Massachussets Mutual; Minnesota Mutual; Mutual of New York; New England Mutual, Massachusetts; Pacific Mutual, California; and The Travelers, Connecticut.

Those with incorrect equity listings only are: Banker's Life, Iowa; Connecticut Mutual Life; First Variable Life, Arkansas; Great West Life, Manitoba; Guardian Insurance, New York; Metropolitan Life, New York; and Phoenix Mutual, Connecticut.

Figures for these companies' funds, consistent with those reported by other insurers and banks, will run in the March 4 issue.

• **New York Life Insurance Co.** was omitted from the list of leaders in new business gains for guaranteed investment contracts in the money management "Scorecard" in the Jan. 7 issue of *Pensions & Investment Age*. In the period tracked by Scorecard — Jan. 1 to Nov. 15, 1984 — the New York-based insurance company gained $1.129 billion in GIC business, which would have placed it fourth.

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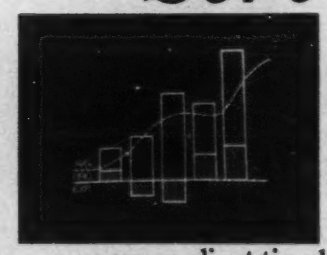

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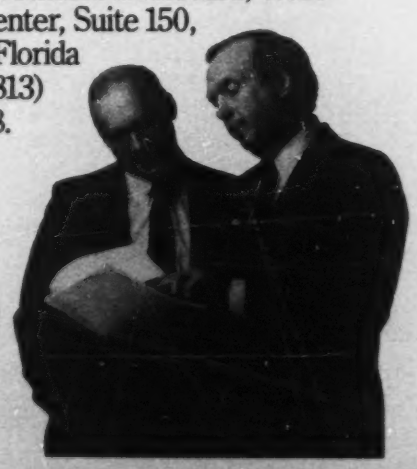

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The statistical data is extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

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Bond funds follow roads to success

By Trudy Ring

There was no one road to the top for bank and insurance company pooled bond funds during 1984. Leading managers in Pensions & Investments' Performance Evaluation Report followed a variety of investment approaches and market forecasts.

Officials of some pooled funds attributed their success to interest rate forecasting, while others did no forecasting at all. Some look for rates to decline further this year, while others look for the decline to slow. Some predict an end to rising prices, while still others say prices will fluctuate wildly.

The leading performer in PIPER for 1984 was IAA Trust Co. of Bloomington, Ill., whose $5 million commingled trust fund for bonds returned 19.2%. The benchmark Shearson Lehman Government/ Corporate Bond Index returned 15%.

The fund uses a mixture of government and corporate issues, said John Jacobs, investment officer. Government and mortgage-backed securities account for about 60% of the portfolio, with corporate bonds accounting for 40%.

During the last quarter of 1984, the fund sold some short- and intermediate-term government issues and bought finance company put bonds and mortgage-backed securities, Mr. Jacobs said.

Earlier in the year, the fund extended the maturity of the portfolio and went heavily into Treasury issues. However, in anticipation that price appreciation is ending, IAA now is becoming more cautious and has shortened maturities, Mr. Jacobs said.

The average maturity in the portfolio is now about 12 years and the average quality rating is double A.

IAA's return for the fourth quarter was 8.2%, making it 13th among fixed-income funds in PIPER. The Shearson Lehman index had a 7.4% return for the quarter.

Life Insurance Co. of Virginia's bond fund was the second best performer for the year, best for the quarter and near the top in all time periods.

The $256 million Richmond-based fund had a return of 18.9% for the year and 10.2% for the quarter.

It also had the best compound annual return for the three years ended Dec. 31, 1984, 21.7%; second best for the five years, 14.9%; and second best for 10 years, 12.7%. The Shearson Lehman index returned 17.6% for three years, 12.5% for five years and 9.5% for 10 years.

An official of Continental Investment Advisors Ltd., Richmond, which manages the fund, attributed its success to an unusual management style.

At the end of 1984, bonds with sinking fund provisions accounted for about 94% of the portfolio, said Dave Hale, Continental Investment's senior vice president for marketing.

When bonds have sinking fund provisions, the issuer is obligated to retire a certain amount each year. This allows the fund to pick up a capital gain and modest coupon income, Mr. Hale said.

Charlie Keller, Continental Investment's chief investment officer, and James L. Londrey, its administrative head, developed this style more than a decade ago because they didn't want to try to forecast interest rates or time the market, Mr. Hale said.

He said the portfolio typically stays fully invested, and is primarily in corporate bonds because there are not many sinking fund issues in the government sector.

At the end of 1984, the fund was 51.5% in industrial issues, 34.7% in utility bonds, 8% in railroad bonds, 3.5% in U.S. government securities and 2.3% in Canadian issues, Mr. Hale said. Average maturity is 10

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Managers struggle to match S&P 500

By Mark Westerbeck

NEW YORK — For the second consecutive year, pension funds were better off in an index fund during 1984 than in an actively managed pool, the PIPER report affirms.

The 1984 Pensions & Investments' Performance Evaluation Report showed most bank and insurance company commingled funds had a hard time keeping up with the Standard & Poor's 500 index during the year. Of the 254 pooled equity funds tracked during 1984, 181, or 71%, failed to match the growth in the market index of 6.3%. The median for all funds was 3.2%.

The top funds most often were the smaller bank and insurance companies that chiefly made the interest rate play of investing in utility and finance stocks, two sectors that paced the market in 1984.

They tended to be conservative in a market viewed as played out, looking for highly capitalized issues with low price-earnings ratios, and sometimes held high cash positions.

Six of the year's 10 best performing funds held less than $10 million in assets, with the other four in the $10 million to $50 million range.

The best performer among the $50 million to $100 million funds was 13th overall, and from the large category of those of at least $100 million in assets, the highest ranked — Fidelity Management Trust Co., with 10.8% — was 19th.

Among money center institutions, the only ones to outperform the S&P in 1984 were two John Hancock Mutual Life Insurance Co. funds, and one each run by Mellon Bank, U.S. Trust Co. and Irving Trust Co.

Market studies show the small-capitalization stocks that had fueled market growth through the first half of 1983, particularly the high technology issues, fell out of favor during 1984, and some manager performance reflected that.

The top fund for the year was the Bank of the West's $3 million equity fund, which significantly outdistanced the market for the year due to its long-term strategy for electrical utilities.

At year end, the San Jose, Calif., institution had its fund 82% in utilities, such as **American Electric Power Co. Inc., Dayton Power and Light, Dominion Resources, Public Service Co. of Colorado** and **South Carolina Electric & Gas Co.**

As a result, the fund returned 26.1% for the year, almost 6% more

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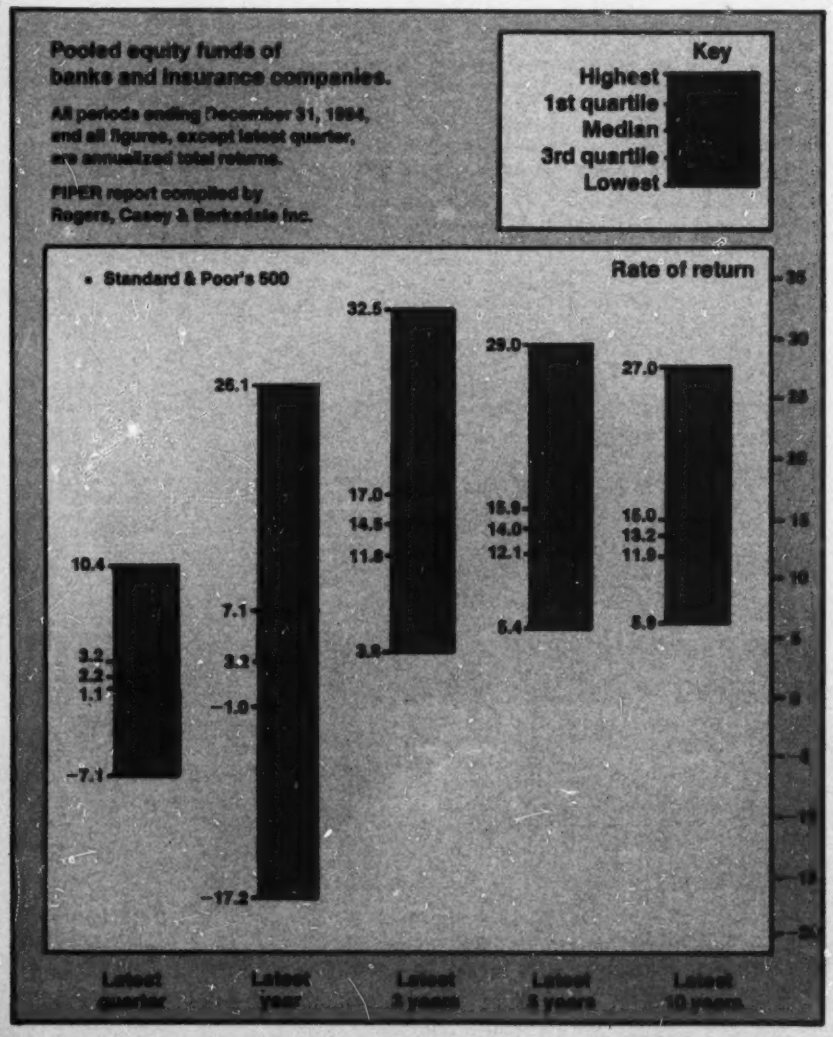
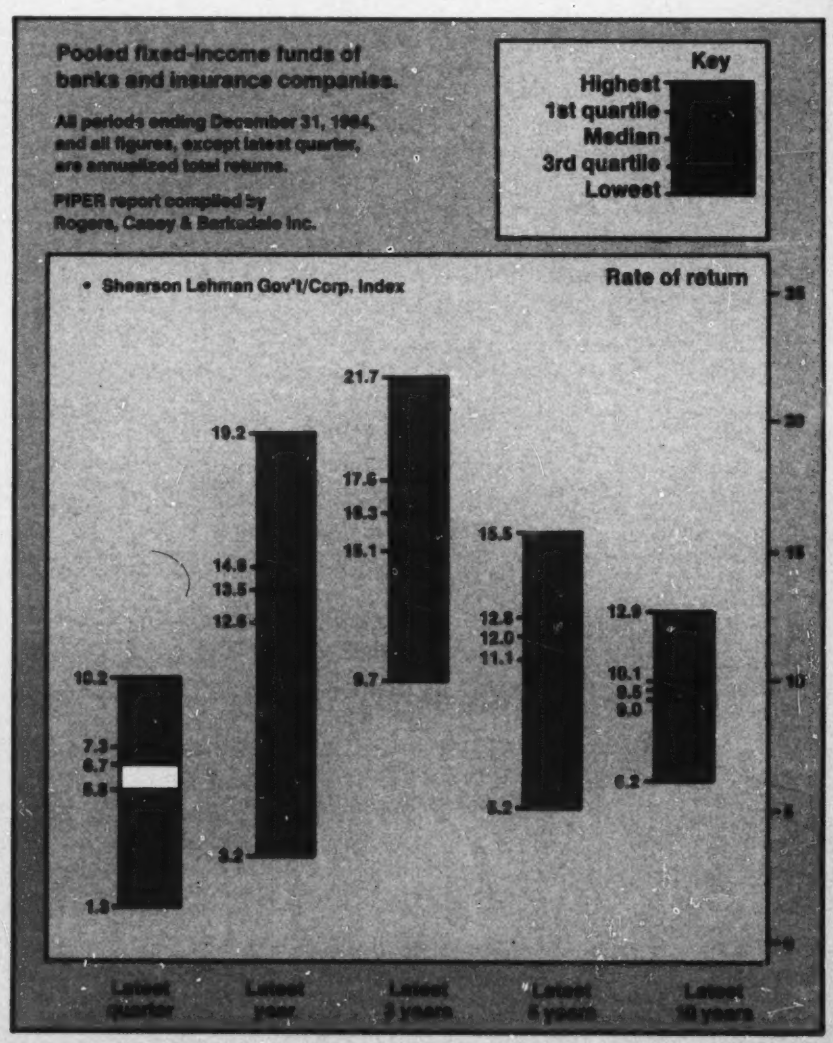




Equity performance

Cumulative periods ending 12/31/84

	No. of years			
	1	5	10	DCR
	%			
Aetna Life & Casualty, Conn.	3.6	16.6	17.3	1
Allied Bank, Texas	1.7	12.3	11.5	8
American Fletcher, Ind.	1.4	13.4	12.7	7
American National, Minn.	–1.7	8.1	10.0	10
American National (Eq. fund), Ind.	7.9	14.5	13.2	6
American Natl. (Growth fund), Ind.	5.4	14.6	12.9	6
American National Bank, Tenn.	9.7	14.1	12.3	8
American National (Active), Chicago	3.5	17.5	(1)	—
American Natl. (S&P 500), Chicago	6.3	14.8	14.6	3
American Security, D.C.	–2.3	14.7	12.9	6
AmeriTrust, Ohio	7.6	14.9	14.2	4
AmSouth, Ala.	0.2	20.4	21.3	1
BancTexas, Dallas	5.7	11.6	13.2	6
Bank of America, Calif.	–3.3	6.5	9.2	10
Bank of California (Flex. eq.)	4.3	14.5	12.3	7
Bank of California (Inc. eq.)	13.8	(1)	(1)	—
Bank of Delaware	–1.1	15.7	15.3	3
Bank of New England, Mass.	16.2	(1)	(1)	—
Bank of New York	4.2	11.2	11.0	9
Bank of Oklahoma, Okla. City	5.6	12.3	9.9	10
Bank of Oklahoma, Tulsa	7.7	15.1	15.6	2
Bank of the West, Calif.	26.1	(1)	(1)	—
Bank One, Ohio	0.0	13.6	10.5	9
Bankers Life, Iowa	–0.4	15.2	19.6	1
Bankers Trust (Eq. fund), N.Y.	1.2	13.2	13.0	6
Bankers Trust (Index), N.Y.	5.9	15.2	(1)	—
Bessemer Trust, N.Y.	–5.3	14.9	18.2	1
Beverly Bank, Ill.	–3.4	9.6	13.5	5
Boatmens Bank, K.C., Mo.	–5.2	6.8	(1)	—
Boatmen's National, Mo.	–7.8	11.6	10.4	9
Boston Safe Deposit, Mass.	3.3	13.7	11.7	8
Branch Bank & Trust, N.C.	1.4	13.2	(1)	—
California First Bank	–13.9	12.5	9.4	10
Centerre Trust, Mo.	12.6	17.2	13.1	6
Central Bank Denver	–6.4	10.6	9.7	10
Central Natl., Cleveland	5.0	14.0	15.3	3
Central Penn, Pa.	11.1	15.0	13.4	5
Central Trust, Ohio	–1.9	10.7	12.4	7
Chase Manhattan, N.Y.	–1.1	15.6	13.3	5
Chicago Title & Trust	2.4	14.6	16.0	2
CIGNA Corp., Conn.	2.2	13.9	14.4	4
Citibank, N.Y.	2.5	14.9	13.2	6
Citizens Chillicothe, Mo.	–9.7	12.9	21.6	1
Citizens Fidelity, Ky.	6.5	14.6	(1)	—
Citizens Trust Co., Wis.	–14.3	13.3	(1)	—
Citizens & Southern, Ga.	2.8	9.7	10.7	9
Citytrust, Conn.	9.6	17.5	14.4	4
CNA Insurance, Ill.	0.4	9.4	10.1	10
College Ret. Equities Fund	4.7	14.7	14.1	4
Comerica Bank, Mich.	7.3	12.3	12.4	7
Commerce Bank, K.C., Mo.	1.4	11.4	9.9	10
Commonwealth Natl., Pa.	–5.0	13.1	14.1	4
Confederation Life, Ontario	5.4	17.8	20.0	1
Connecticut Bank & Trust	1.9	14.0	12.8	7
Connecticut Mutual Life	4.1	18.1	13.7	5
Connecticut National Bank	–1.5	11.2	12.3	7
Continental Bank, Pa.	3.0	14.3	13.7	4
Continental Illinois	–2.4	11.6	11.7	8
County Bank of St. Louis	2.2	13.5	11.7	8
Crocker National, Calif.	0.7	12.5	12.9	6
Crown Life, Ontario	1.5	9.4	13.5	5
Cullen Bank, Texas	8.8	13.3	(1)	—
Dauphin Deposit, Pa.	7.6	17.7	(1)	—
Dominion Trust, Va.	8.4	16.6	(1)	—
Employers Life of Wausau, Wis.	–14.8	16.0	16.1	2
Equibank, Pa.	3.7	11.1	8.6	10
Equitable Bank, Md.	–2.8	14.9	15.3	3
Equitable Life (No. 1), N.Y.	3.7	13.6	13.4	5
Equitable Life (No. 4), N.Y.	–1.8	16.9	16.2	2
Fidelity Bank, Pa.	6.9	10.4	10.2	9
Fidelity Mgmt. Trust, Mass.	10.6	(1)	(1)	—
Fidelity National, La.	1.7	13.2	(1)	—
Fifth Third Bank, Ohio	3.1	16.3	16.0	2
First Alabama Bank	10.1	16.6	12.9	6
First Bank Milwaukee	–1.5	15.6	12.9	6
First Citizens, N.C.	2.0	13.1	(1)	—
First City Dallas	5.6	10.0	11.2	9
First City Natl., Houston	–2.8	14.3	13.1	8
First Fidelity, N.J.	3.9	12.1	12.1	8
First in Bartlesville, Okla.	10.7	16.2	14.6	3
First Interstate of Ariz.	1.8	10.8	12.2	9
First Interstate of Calif.	2.6	9.3	11.9	8
First Interstate of Denver	–7.6	16.8	16.4	2
First Interstate of Nevada	–5.2	16.4	(1)	—
First Interstate of Oregon	18.0	18.6	17.1	1
First Interstate of Wash.	6.3	16.2	16.6	2
First Jersey Natl., N.J.	7.5	13.7	14.8	3
First Kentucky Trust	0.5	14.1	12.8	7
First Natl., Lincoln, Neb.	5.8	15.0	14.2	4
First Natl. of Commerce, La.	–3.9	14.2	12.9	6
First Natl. of Tulsa, Okla.	–6.8	9.9	9.5	10
First of Allentown, Pa.	–0.4	8.8	10.5	9
First of America (Cap. G.), Mich.	18.0	(1)	(1)	—
First of America (Eq. fund), Mich.	20.8	15.9	16.5	1
First of Chicago	5.4	14.4	14.1	4
First of Cincinnati	4.0	13.2	12.3	8
First of Elgin, Ill.	4.4	13.4	(1)	—
First of Kansas City, Mo.	2.4	13.2	9.9	10
First of Kenosha, Wis.	–0.9	9.7	14.4	4
First of Maryland (Eq.)	5.7	13.0	14.3	4
First of Maryland (Inc. eq.)	16.4	(1)	(1)	—
First of Minneapolis	1.4	8.6	11.3	9
First of Mobile, Ala.	4.1	12.8	12.7	7
First of Neenah, Wis.	6.8	13.6	14.6	3
First of Oklahoma	–0.2	21.0	18.0	1
First of Pennsylvania, Erie	–1.5	8.5	13.6	5
First of Shreveport, La.	1.0	10.5	(1)	—
First of Toledo, Ohio	–2.5	8.9	9.8	10
First of Warsaw, Ind.	5.5	16.5	14.8	3
First Pennsylvania Bank	7.9	14.9	13.4	5
First Security Natl., Ky.	4.5	15.7	(1)	—
First Tennessee, Chat.	7.4	17.7	15.6	2
First Trust Corp., Colo.	6.3	18.5	19.6	1
First Trust St. Paul	8.2	15.4	14.1	4
First Union Bank, N.C.	12.7	23.3	17.1	2
First Variable Life, Ark.	–3.3	19.2	20.4	1
First Wis. Natl., Madison	4.2	18.8	20.7	1
First Wisconsin Trust	–3.1	14.1	12.1	8
Fourth Natl., Tulsa, Okla.	2.5	16.2	16.6	2
Fourth Natl., Wichita, Kan.	–2.2	9.2	13.2	5
F&M Marquette Natl., Minn.	–8.9	5.8	9.6	10
Gary Wheaton Bank, Ill.	15.1	15.8	12.0	8
General American, Mo.	–1.9	11.0	(1)	—
Genesee Merchants, Mich.	–1.1	14.0	11.9	8
Great West Life, Manitoba	3.8	12.0	10.1	10
Greeley National, Colo.	6.4	6.8	12.4	7
Guardian Insurance, N.Y.	11.6	17.3	21.8	1
Hamilton Bank, Pa.	2.7	13.4	11.3	9
Harris Trust, Ill.	6.1	13.1	(1)	—
Hawaiian Trust	0.0	12.2	12.4	7
Heritage Trust, Wis.	–4.1	12.6	11.7	8
Hibernia Natl., La.	1.8	11.0	11.7	8
HT Investors, R.I.	4.5	16.0	13.3	5
IAA Trust Co., Ill.	0.9	17.0	(1)	—
Indiana National Bank	–2.3	12.5	11.4	9
Interfirst Inv. Mgmt. Texas	–1.4	13.8	13.5	5
Irving Trust, N.Y.	7.1	15.8	11.9	8
Jefferson Trust, Ill.	13.6	15.3	14.3	4
John Hancock (Eq. 1K), Mass.	7.8	15.4	(1)	—
John Hancock (Eq. 1L), Mass.	9.4	(1)	(1)	—
Key Trust Co., N.Y.	3.9	12.6	13.1	6
Lake Shore Natl., Ill.	10.7	16.8	15.2	3
Landmark First Natl., Fla.	7.8	15.4	(1)	—
Landmark Union Trust, Fla.	11.7	17.8	18.9	1
Liberty National, Ky.	0.8	9.7	(1)	—
Liberty National, Okla.	0.2	14.1	15.1	2
Life of Virginia	4.3	13.2	16.2	2
Lincoln Natl. Pens, Ind.	0.6	(1)	(1)	—
Lloyds Bank, Calif.	1.3	12.5	10.9	9
Long Island Trust, N.Y.	–0.3	12.4	12.6	7
Manufacturers Detroit	10.7	19.9	15.9	2
Manufacturers Hanover, N.Y.	–2.7	11.3	11.5	8
Manufacturers Life, Ontario	1.7	29.0	27.0	1
Manufacturers & Trader, N.Y.	7.4	5.4	8.6	10
Marine Bank, Pa.	1.0	12.7	(1)	—
Marine Trust, Wis.	–9.3	13.8	13.4	5
Maryland National	–5.8	10.0	9.8	10
Massachusetts Mutual	5.4	17.7	16.5	2
MBank, Austin, Texas	–1.3	6.8	8.8	10
MBank, Fort Worth	11.9	19.1	16.5	2
Mellon Bank, Pa.	8.6	13.4	11.4	9
Mercantile Natl., Ind.	–14.2	(1)	(1)	—
Mercantile Safe, Md.	10.4	17.5	12.7	7
Mercantile Trust, Mo.	7.3	13.9	14.2	4
Merchants Natl., Ala.	1.4	14.8	13.9	4
Merchants Natl., Ind.	–3.4	12.0	12.5	7
Merchants Natl., Pa.	–3.8	11.2	(1)	—
Metropolitan Life, N.Y.	5.3	13.4	11.2	9
Mich. Natl. of Detroit	–4.8	9.4	9.0	10
Mich. Natl. of Grand Rapids	–3.5	10.6	9.7	10
Midlantic Natl. (Common), N.J.	9.6	15.2	14.6	3
Midlantic Natl. (Equity), N.J.	6.7	18.6	(1)	—
Mid-State Bancorp., Pa.	4.6	18.0	(1)	—
Minnesota Mutual	1.6	16.1	15.2	3
Moline National, Ill.	0.8	10.9	13.8	4
Morgan Guaranty, N.Y.	3.0	13.4	(1)	—
MTrust, Texas	3.5	17.9	17.5	1
Mutual Benefit, N.J.	2.1	17.6	15.0	3
Mutual of New York	0.6	11.7	11.4	9
Natl. of Bloomington, Ill.	20.7	13.4	(1)	—
National of Detroit	7.1	11.8	12.2	8
Natl. of Commerce, Neb.	7.5	15.6	15.7	2
Natl. of Commerce, Tenn.	7.1	16.4	(1)	—
Natl. City Cleveland	1.8	15.3	15.4	3
Natl. of Georgia	9.1	11.9	(1)	—
Natwest USA, N.Y.	4.9	14.7	13.5	5
NCNB National, N.C.	0.5	9.7	12.7	7
New England Mutual (Eq.)	–1.9	14.5	13.1	6
New England Mutual (Sep. acc.)	–3.6	19.4	16.7	2
New Jersey National	15.4	14.8	13.1	6
Northern Central, Pa.	–3.1	(1)	(1)	—
Northern Trust (Con. eq.), Ill.	–1.5	14.2	15.3	3
Northern Trust (Div. eq.), Ill.	–2.4	14.0	12.5	7
Ohio Citizens Trust	3.9	15.6	14.7	3
Old Kent, Mich.	8.4	15.4	13.2	5
Old Second Natl., Ill.	4.4	11.7	12.4	7
Olympic Bank, Wash.	5.7	14.9	15.5	2
Oregon Bank	8.2	13.0	13.3	5
Ouachita Natl., La.	7.5	12.0	10.5	9
Pacific Mutual, Calif.	–7.1	9.9	12.5	7
Penn Bank, Erie, Pa.	–5.4	8.9	11.3	9
Philadelphia National, Pa.	2.3	17.7	13.6	5
Phoenix Mutual, Conn.	9.3	15.3	14.3	4
Pioneer Bank, Ill.	–3.0	(1)	(1)	—
Pittsburgh Natl. (OMS), Pa.	2.7	13.6	15.1	3
Pittsburgh Natl. (Eq.), Pa.	–2.6	10.2	(1)	—
Pittsburgh Natl. (Grp. OMS), Pa.	4.6	15.1	(1)	—
Planters National, N.C.	1.7	16.8	(1)	—
Provident Bank, Ohio	–0.7	10.5	13.5	5
Provident Natl., Pa.	9.9	21.0	19.1	1
Prudential (W-5000), N.J.	3.4	13.8	(1)	—
Prudential (VCA-9), N.J.	3.1	12.0	14.6	3
Puget Sound Natl., Wash.	2.2	12.7	11.7	8
Rainier Natl., Wash.	–2.1	14.4	14.0	4
Republic Natl., Dallas	9.8	15.8	14.3	4
Resource Bank & Trust, Minn.	7.1	(1)	(1)	—
Riggs of Washington	5.5	12.7	10.7	9
Seafirst Bank, Wash.	–1.1	9.3	12.5	7
Seattle Trust, Wash.	–3.5	15.1	12.3	8
Security Natl., W. Va.	4.1	(1)	(1)	—
Security Norstar, N.Y.	3.2	16.3	17.3	1
Security Pacific, Calif.	–17.2	(1)	(1)	—
Sentry Life, Wis.	7.7	15.1	13.0	6
Shawmut Bank, Mass.	4.8	(1)	(1)	—
Society Natl., Ohio	2.3	(1)	(1)	—
Southeast Bank, Fla.	10.3	17.2	13.8	4
Sovran Bank, Va.	4.1	14.8	12.5	7
State Street Bank, Mass.	1.6	16.8	12.0	8
Summit Bank, Ind.	7.5	13.9	11.3	9
Summit Trust, N.J.	–2.9	7.9	6.9	10
Sun Bank, Fla.	15.4	22.0	(1)	—
Texas American Bank	5.1	12.1	10.4	9
Texas Commerce	0.6	16.3	14.7	3
Third Natl., Nashville	–4.9	13.0	11.8	8
Toledo Trust, Ohio	7.8	13.5	10.4	9
Travelers, Conn.	1.5	12.6	13.2	5
Trust Co. of Georgia	4.1	13.3	12.9	6
Trust Svcs. of Amer., Calif.	3.8	13.7	13.2	6
Unibanctrust, Ill.	–1.0	12.4	13.2	5
Union Central, Ohio	5.2	17.2	15.2	3
Union Natl., Wichita, Kan.	–3.5	10.0	(1)	—
Union Planters, Tenn.	5.4	15.9	13.4	5
United Carolina, N.C.	7.8	(1)	(1)	—
United Missouri, Kansas City	6.8	14.5	13.1	6
United of Denver	–6.7	19.6	16.5	2
United Virginia Bank	8.7	17.0	14.[illegible]	3
US Natl. of Galveston	9.9	18.6	18.6	1
US Natl. of Oregon	3.5	18.5	18.9	1
US Trust, N.Y.	7.5	12.7	10.6	9
Valley Natl., Ariz.	2.2	11.3	9.8	10
Wachovia Bank (Eq. fund), N.C.	0.8	13.6	13.1	6
Wachovia Bank (Eq. mgmt.), N.C.	5.1	(1)	(1)	—
Wheeling Dollar Bank, W. Va.	4.3	18.2	13.9	4
Wilmington Trust, Del.	0.9	13.0	12.5	7
Standard & Poor's 500	6.3	14.9	14.9	3

Fixed-income performance

Cumulative periods ending 12/31/84

	No. of years			
	1	5	10	DCR
	%			
Aetna Life & Casualty, Conn.	12.8	(1)	(1)	—
Allied Bank, Texas	16.8	14.9	10.6	2
American Fletcher, Ind.	14.5	10.8	9.2	7
American Fletcher, (Int.), Ind.	12.4	10.2	8.9	8
American National, Minn.	13.8	12.6	(1)	—
American Natl. (Bond), Ind.	8.6	11.7	10.0	3
American Natl. (Income), Ind.	7.4	10.2	9.5	6
American Natl., Tenn.	13.7	13.2	10.4	2
American Natl., Chicago	12.8	12.8	9.7	4
American Security, D.C.	14.9	13.6	10.8	1
AmeriTrust (Fixed), Ohio	13.7	11.6	9.7	5
AmeriTrust (Res. fund), Ohio	13.5	13.3	10.1	3
AmSouth (Bond), Ala.	13.5	10.4	8.1	10
AmSouth (Limited), Ala.	12.6	13.0	(1)	—
BancTexas, Dallas	9.2	11.5	9.0	5
Bank of America, Calif.	11.9	9.6	8.3	10
Bank of California	15.5	12.2	9.5	5
Bank of New England, Mass.	12.2	12.9	9.9	4
Bank of New York	13.3	12.3	9.6	4
Bank of Oklahoma	14.4	11.4	8.6	9
Bank of Oklahoma, Tulsa	13.1	10.2	9.3	7
Bank One, Ohio	11.1	12.8	(1)	—
Bankers Life, Iowa	14.8	(1)	(1)	—
Bankers Trust (Fund A), N.Y.	13.1	13.2	9.7	4
Bankers Trust (Fund B), N.Y.	12.2	12.9	9.6	5
Bessemer Trust, N.Y.	12.4	11.0	9.4	6
Beverly Bank, Ill.	16.5	14.3	12.4	1
Boatmen's Natl., Mo.	12.2	12.0	(1)	—
California First Bank	16.0	12.2	10.7	1
Centerre Trust, Mo.	14.9	13.3	10.6	2
Central Bank, Denver, Colo.	7.3	7.6	7.4	10
Central Natl., Cleveland	14.7	12.7	9.8	4
Central Penn, Pa.	13.2	12.2	(1)	—
Central Trust, Ohio	14.9	12.7	9.9	4
Chase Manhattan, N.Y.	8.0	10.0	8.9	8
Chicago Title & Trust, Ill.	11.6	10.8	9.3	7
CIGNA Corp. (Inter.), Conn.	16.1	13.7	(1)	—
CIGNA Corp. (Pub. traded), Conn.	13.4	11.9	10.1	3
Citibank, N.Y.	13.6	12.2	9.6	5
Citizens Fidelity, Ky.	12.6	11.4	9.6	5
Citizens Trust Co. (Income), Wis.	14.0	(1)	(1)	—
Citizens Trust Co. (Mtg.), Wis.	12.3	13.2	(1)	—
Citizens & Southern, Ga.	16.1	10.2	8.1	10
Citytrust, Conn.	13.8	11.5	10.4	2
Colonial American Natl., Va.	14.1	12.1	9.2	7
Comerica Bank (Com.), Mich.	11.9	10.7	9.1	7
Comerica Bank (Int.), Mich.	14.1	(1)	(1)	—
Commerce Bank, K.C., Mo.	13.0	9.8	8.5	9
Commerce Union, Tenn.	12.3	12.6	10.4	3
Commonwealth Natl., Pa.	15.5	11.6	9.8	4
Confederation Life, Ontario	15.3	11.0	8.7	9
Connecticut Bank & Trust	14.9	9.2	7.1	10
Connecticut Natl. (EB Bond)	13.3	12.2	9.7	5
Connecticut Natl. (Int.)	12.7	(1)	(1)	—
Continental Bank, Pa.	3.2	8.2	8.1	10
Continental Illinois	15.4	8.6	8.3	9
County Bank of St. Louis	12.6	12.6	9.7	4
Crocker National, Calif.	15.4	13.2	10.0	3
Crown Life, Ontario	9.9	9.9	7.8	10
Cullen Bank, Texas	12.2	14.3	10.5	2
Dauphin Deposit, Pa.	14.6	11.7	(1)	—
Equibank, Pa.	14.7	11.4	9.1	7
Equitable Bank, Md.	14.0	8.9	9.1	7
Equitable Life, N.Y.	16.6	9.0	7.7	10
Fidelity Bank, Pa.	10.2	12.0	10.9	1
Fidelity National, La.	14.0	11.9	(1)	—
Fifth Third Bank, Ohio	13.8	11.5	(1)	—
First Bank Milwaukee	15.2	12.9	9.9	3
First Citizens, N.C.	12.7	11.0	(1)	—
First City Dallas	16.7	11.7	9.2	7
First City Natl., Houston	15.1	10.3	8.7	9
First Fidelity, N.J.	13.1	12.8	9.9	4
First In Bartlesville, Okla.	13.2	11.9	10.4	2
First Interstate of Calif.	14.9	13.5	10.8	1
First Interstate of Denver	15.3	12.6	9.1	7
First Interstate of Nevada	15.3	(1)	(1)	—
First Interstate of Oregon	13.1	11.6	9.6	5
First Interstate of Wash.	12.6	11.3	9.4	6
First Jersey Natl., N.J.	14.8	13.9	11.7	1
First Kentucky Trust	14.8	13.9	10.5	2
First Natl., Jackson, Miss.	14.9	12.6	(1)	—
First Natl., Lincoln, Neb.	13.4	12.2	9.4	6
First Natl. of Commerce, La.	14.5	13.0	9.6	5
First Natl. of Tulsa, Okla.	13.5	10.8	8.9	8
First of Allentown, Pa.	17.2	11.6	(1)	—
First of America (Bond fund), Mich.	7.7	9.0	8.0	8
First of America (Mat. bond), Mich.	11.8	12.2	8.9	5
First of Boston	13.4	11.3	8.2	10
First of Chicago	15.7	12.0	9.5	5
First of Cincinnati (Fixed Inc.)	13.1	11.6	9.0	8
First of Cincinnati (Int.)	13.5	(1)	(1)	—
First of Elgin, Ill.	9.8	11.2	(1)	—
First of Kansas City, Mo.	13.1	12.7	(1)	—
First of Kenosha, Wis.	13.1	7.5	6.2	10
First of Maryland	13.6	13.3	(1)	—
First of Minneapolis	15.0	10.4	8.6	8
First of Mobile, Ala.	13.9	11.9	9.1	5
First of Neenah (Int.), Wis.	13.8	12.4	(1)	—
First of Neenah (Long term), Wis.	14.1	13.1	10.8	1
First of Neenah (Mtg.), Wis.	13.8	12.4	(1)	—
First of Oklahoma	13.1	8.1	(1)	—
First of Pennsylvania, Erie	13.0	13.0	10.5	2
First of Shreveport, La.	12.7	9.9	(1)	—
First of Toledo, Ohio	12.9	13.2	10.1	3
First of Warsaw, Ind.	14.8	12.9	9.9	4
First Pennsylvania Bank	8.5	6.9	9.1	7
First Security Natl., Ky.	14.3	(1)	(1)	—
First Tennessee, Chat.	12.4	11.4	9.3	6
First Trust Corp., Colo.	15.0	11.5	9.5	5
First Trust St. Paul, Minn.	11.9	11.8	9.5	5
First Union Bank, N.C.	14.1	11.5	9.1	7
First Variable Life, Ark.	13.4	13.8	(1)	—
First Wis. Natl., Madison	15.8	12.4	10.5	2
First Wisconsin Trust	12.4	10.2	8.5	9
Fourth Natl., Tulsa, Okla.	12.5	10.8	9.4	6
Fourth Natl., Wichita, Kan.	15.0	14.4	12.9	1
F&M Marquette Natl., Minn.	13.2	11.3	9.5	5
Gary Wheaton Bank, Ill.	13.2	12.8	9.6	5
General Amer. (Sep. Acct. 8), Mo.	12.3	(1)	(1)	—
General Amer. (Sep. Acct. 9), Mo.	14.1	(1)	(1)	—
Genesee Merchants, Mich.	14.2	12.6	9.8	4
Greeley Natl., Colo.	13.8	11.7	9.5	6
Hamilton Bank, Pa.	15.9	12.3	(1)	—
Harris Trust, Ill.	14.3	9.3	8.3	9
Hawaiian Trust (Bond)	12.0	10.4	9.1	7
Hawaiian Trust (Def. bond)	11.0	(1)	(1)	—
Heritage Trust, Wis.	13.6	12.1	7.6	10
Hibernia Natl., La.	13.8	13.2	11.1	1
HT Investors (Bond), R.I.	12.2	10.2	8.8	9
HT Investors (Fund A), R.I.	9.7	(1)	(1)	—
IAA Trust Co., Ill.	16.2	12.2	(1)	—
Indiana National Bank	14.1	12.7	9.9	4
Interfirst Invt. Mgmt. (Bond), Texas	13.2	11.8	9.0	8
Interfirst Invt. Mgmt. (Int.), Texas	13.9	13.2	(1)	—
Irving Trust, N.Y.	13.6	12.1	9.5	5
Jefferson Trust, Ill.	11.1	13.2	11.5	1
John Hancock, Mass.	17.5	12.5	10.5	2
Key Trust Co., N.Y.	15.5	13.0	10.6	2
Lake Shore Natl., Ill.	13.0	10.9	9.3	6
Landmark First Natl., Fla.	11.3	11.4	(1)	—
Landmark Union Trust, Fla.	12.9	12.9	9.7	4
Liberty Natl., Ky.	13.6	11.2	(1)	—
Liberty Natl., Okla.	13.3	11.3	9.4	6
Life of Virginia	18.9	14.9	12.7	1
Lincoln Natl. Pens., Ind.	13.7	(1)	(1)	—
Lloyds Bank, Calif.	14.7	13.6	10.4	2
Long Island Trust, N.Y.	10.6	10.1	(1)	—
Manufacturers Detroit (Bond)	14.2	12.6	10.6	2
Manufacturers Detroit (Int.)	13.5	(1)	(1)	—
Manufacturers Hanover, N.Y.	13.3	13.2	10.8	1
Manufacturers Life, Ontario	12.8	7.5	(1)	—
Manufacturers & Trader, N.Y.	13.7	11.2	8.3	9
Marine Bank, Pa.	13.2	12.2	(1)	—
Marine Trust, Wis.	7.1	12.1	9.2	7
Maryland Natl. (Fixed Inc.)	11.9	8.1	8.1	10
Maryland Natl. (Fixed II)	11.8	11.2	(1)	—
Massachusetts Mutual	12.1	11.1	8.9	8
MBank, Austin, Texas	12.6	13.3	(1)	—
MBank, Fort Worth, Texas	14.5	12.6	10.3	3
Mellon Bank (Fixed), Pa.	16.3	12.7	10.3	3
Mellon Bank (EB Int. bond), Pa.	13.4	5.2	6.7	10
Mercantile Natl., Ind.	10.7	(1)	(1)	—
Mercantile Safe (Bond), Md.	12.7	12.3	9.8	5
Mercantile Safe (Int.), Md.	13.8	13.0	(1)	—
Mercantile Trust, Mo.	11.9	13.4	10.6	2
Merchants Natl., Ala.	17.1	11.7	9.4	6
Merchants Natl., Ind.	11.3	11.8	9.7	5
Merchants Natl., Pa.	14.3	12.1	(1)	—
Mich. Natl. of Detroit	12.8	10.4	(1)	—
Mich. Natl. of Grand Rapids	13.2	11.4	8.7	9
Midlantic National, N.J.	14.2	11.7	10.0	3
Mid-State Bancorp, Pa.	13.2	12.8	(1)	—
Minnesota Mutual	13.0	11.1	(1)	—
Moline Natl., Ill.	14.4	12.8	10.1	3
Morgan Guaranty, N.Y.	14.0	12.9	(1)	—
MTrust, Texas	12.9	8.9	8.3	9
Mutual of N.Y. (Priv. place)	15.9	12.2	(1)	—
Mutual of N.Y. (Public bond)	14.8	12.7	(1)	—
Natl. Bank of Detroit	13.9	11.1	9.4	5
Natl. Bank of Commerce, Neb.	14.7	10.8	8.9	8
Natl. Bank of Commerce, Tenn.	14.7	11.3	(1)	—
Natl. City Cleveland	12.0	10.5	8.9	8
Natl. of Georgia	15.0	12.5	(1)	—
National Westminster USA	13.8	12.2	9.1	7
NCNB Natl., N.C.	13.2	11.9	9.8	4
New England Mutual, Mass.	11.3	9.6	8.1	10
New Jersey National	11.6	8.3	7.9	10
Northern Central, Pa.	8.8	12.9	(1)	—
Northern Trust (Bond), Ill.	14.6	11.3	9.1	7
Northern Trust (Int.), Ill.	13.7	13.9	(1)	—
Ohio Citizens Trust	12.0	12.5	10.4	2
Old Kent, Mich.	12.8	11.1	8.6	9
Old National, Wash.	12.7	11.4	9.0	8
Old Second Natl. (Fixed), Ill.	14.8	12.1	(1)	—
Old Second Natl. (HR 10), Ill.	14.1	12.4	(1)	—
Olympic Bank, Wash.	13.8	12.8	(1)	—
Oregon Bank	15.4	12.8	10.1	3
Ouachita Natl., La.	13.2	11.8	9.1	7
Pacific Mutual, Calif.	15.2	13.3	12.1	1
Penn Bank, Erie, Pa.	11.6	13.1	11.2	1
Philadelphia Natl., Pa.	11.2	10.9	9.1	8
Pioneer Bank, Ill.	14.1	(1)	(1)	—
Pittsburgh National, Pa.	13.3	12.5	(1)	—
Provident National, Pa.	12.7	11.4	9.4	6
Prudential VCA 7 (Active), N.J.	14.1	10.9	9.4	6
Prudential VCA 8 (Int. bd.), N.J.	13.9	(1)	(1)	—
Puget Sound Natl., Wash.	10.7	12.5	9.4	6
Rainier National, Wash.	12.7	10.4	8.5	9
Republic Natl., Dallas	12.7	9.7	8.1	10
Riggs of Washington	12.7	13.4	10.1	3
Seafirst Bank, Wash.	15.2	14.0	11.5	1
Seattle Trust, Wash.	10.3	11.3	(1)	—
Security Natl., W. Va.	4.6	(1)	(1)	—
Security Norstar Bank, N.Y.	11.2	11.5	10.2	3
Security Pacific (Fixed Inc. F), Calif.	13.3	(1)	(1)	—
Security Pacific (Fixed Inc. V), Calif.	11.4	(1)	(1)	—
Shawmut Bank (Fixed Inc.), Mass.	14.4	(1)	(1)	—
Shawmut Bank (Int.), Mass.	13.8	(1)	(1)	—
Society National, Ohio	15.6	(1)	(1)	—
Southeast Bank Natl., Fla.	14.1	12.0	9.4	6
Sovran Bank, Va.	14.8	15.5	12.1	1
State Street Bank, Mass.	15.2	13.0	9.6	5
Summit Bank, Ind.	10.7	9.2	8.7	9
Summit Trust Co., N.J.	12.5	12.1	9.3	7
Sun Bank, Fla.	14.4	10.8	(1)	—
Texas American Bank	12.3	12.5	9.5	5
Texas Commerce (Act. mgd. bond)	11.6	13.5	11.7	1
Texas Commerce (Low vol.)	13.8	(1)	(1)	—
Third Natl., Nashville	12.6	11.1	9.0	8
Toledo Trust, Ohio	15.6	13.4	10.2	3
Travelers, Conn.	15.1	10.7	(1)	—
Trust Co. of Georgia	13.7	11.5	8.7	9
Trust Svcs. of Amer., Calif.	15.6	12.5	10.5	2
Unibanctrust, Ill.	13.5	12.4	9.3	8
Union Central, Ohio	9.2	10.3	8.7	9
Union Natl., Wichita, Kan.	14.2	11.7	(1)	—
Union Planters, Tenn.	13.4	12.9	10.5	2
United Carolina Bank, N.C.	13.5	(1)	(1)	—
United Missouri, K.C.	14.2	12.5	9.9	4
United of Denver, Colo.	16.4	12.6	10.1	3
United Virginia Bank (BF 5821)	12.9	12.0	10.0	3
United Virginia Bank (Short term)	13.4	13.9	(1)	—
US Natl. of Oregon	12.3	10.7	(1)	—
US Trust, N.Y.	13.2	11.5	9.9	4
Valley National, Ariz.	13.9	11.9	8.6	9
Wachovia Bank, N.C.	13.5	12.4	9.7	4
Wheeling Dollar Bank, W. Va.	15.5	12.1	9.1	8
Wilmington Trust, Del.	15.0	8.8	8.0	10
Shearson Lehman Index	16.9	12.5	9.8	—
Merchants Natl., Ind.	11.3	11.8	9.7	5
Merchants Natl., Pa.	14.3	12.1	(1)	—
Mich. Natl. of Detroit	12.8	10.4	(1)	—
Mich. Natl. of Grand Rapids	13.2	11.4	8.7	9
Midlantic National, N.J.	14.2	11.7	10.0	3
Mid-State Bancorp, Pa.	13.2	12.8	(1)	—
Minnesota Mutual	13.0	11.1	(1)	—
Moline Natl., Ill.	14.4	12.8	10.1	3
Morgan Guaranty, N.Y.	14.0	12.9	(1)	—
MTrust, Texas	12.9	8.9	8.3	9
Mutual of N.Y. (Priv. place)	15.9	12.2	(1)	—
Mutual of N.Y. (Public bond)	14.8	12.7	(1)	—
Natl. Bank of Detroit	13.9	11.1	9.4	5
Natl. Bank of Commerce, Neb.	14.7	10.8	8.9	8
Natl. Bank of Commerce, Tenn.	14.7	11.3	(1)	—
Natl. City Cleveland	12.0	10.5	8.9	8
Natl. of Georgia	15.0	12.5	(1)	—
National Westminster USA	13.8	12.2	9.1	7
NCNB Natl., N.C.	13.2	11.9	9.8	4
New England Mutual, Mass.	11.3	9.6	8.1	10
New Jersey National	11.6	8.3	7.9	10
Northern Central, Pa.	8.8	12.9	(1)	—
Northern Trust (Bond), Ill.	14.6	11.3	9.1	7
Northern Trust (Int.), Ill.	13.7	13.9	(1)	—
Ohio Citizens Trust	12.0	12.5	10.4	2
Old Kent, Mich.	12.8	11.1	8.6	9
Old National, Wash.	12.7	11.4	9.0	8
Old Second Natl. (Fixed), Ill.	14.8	12.1	(1)	—
Old Second Natl. (HR 10), Ill.	14.1	12.4	(1)	—
Olympic Bank, Wash.	13.8	12.8	(1)	—
Oregon Bank	15.4	12.8	10.1	3
Ouachita Natl., La.	13.2	11.8	9.1	7
Pacific Mutual, Calif.	15.2	13.3	12.1	1
Penn Bank, Erie, Pa.	11.6	13.1	11.2	1
Philadelphia Natl., Pa.	11.2	10.9	9.1	8
Pioneer Bank, Ill.	14.1	(1)	(1)	—
Pittsburgh National, Pa.	13.3	12.5	(1)	—
Provident National, Pa.	12.7	11.4	9.4	6
Prudential VCA 7 (Active), N.J.	14.1	10.9	9.4	6
Prudential VCA 8 (Int. bd.), N.J.	13.9	(1)	(1)	—
Puget Sound Natl., Wash.	10.7	12.5	9.4	6
Rainier National, Wash.	12.7	10.4	8.5	9
Republic Natl., Dallas	12.7	9.7	8.1	10
Riggs of Washington	12.7	13.4	10.1	3
Seafirst Bank, Wash.	15.2	14.0	11.5	1
Seattle Trust, Wash.	10.3	11.3	(1)	—
Security Natl., W. Va.	4.6	(1)	(1)	—
Security Norstar Bank, N.Y.	11.2	11.5	10.2	3
Security Pacific (Fixed Inc. F), Calif.	13.3	(1)	(1)	—
Security Pacific (Fixed Inc. V), Calif.	11.4	(1)	(1)	—
Shawmut Bank (Fixed Inc.), Mass.	14.4	(1)	(1)	—
Shawmut Bank (Int.), Mass.	13.8	(1)	(1)	—
Society National, Ohio	15.6	(1)	(1)	—
Southeast Bank Natl., Fla.	14.1	12.0	9.4	6
Sovran Bank, Va.	14.8	15.5	12.1	1
State Street Bank, Mass.	15.2	13.0	9.6	5
Summit Bank, Ind.	10.7	9.2	8.7	9
Summit Trust Co., N.J.	12.5	12.1	9.3	7
Sun Bank, Fla.	14.4	10.8	(1)	—
Texas American Bank	12.3	12.5	9.5	5
Texas Commerce (Act. mgd. bond)	11.6	13.5	11.7	1
Texas Commerce (Low vol.)	13.8	(1)	(1)	—
Third Natl., Nashville	12.6	11.1	9.0	8
Toledo Trust, Ohio	15.6	13.4	10.2	3
Travelers, Conn.	15.1	10.7	(1)	—
Trust Co. of Georgia	13.7	11.5	8.7	9
Trust Svcs. of Amer., Calif.	15.6	12.5	10.5	2
Unibanctrust, Ill.	13.5	12.4	9.3	8
Union Central, Ohio	9.2	10.3	8.7	9
Union Natl., Wichita, Kan.	14.2	11.7	(1)	—
Union Planters, Tenn.	13.4	12.9	10.5	2
United Carolina Bank, N.C.	13.5	(1)	(1)	—
United Missouri, K.C.	14.2	12.5	9.9	4
United of Denver, Colo.	16.4	12.6	10.1	3
United Virginia Bank (BF 5821)	12.9	12.0	10.0	3
United Virginia Bank (Short term)	13.4	13.9	(1)	—
US Natl. of Oregon	12.3	10.7	(1)	—
US Trust, N.Y.	13.2	11.5	9.9	4
Valley National, Ariz.	13.9	11.9	8.6	9
Wachovia Bank, N.C.	13.5	12.4	9.7	4
Wheeling Dollar Bank, W. Va.	15.5	12.1	9.1	8
Wilmington Trust, Del.	15.0	8.8	8.0	10
Shearson Lehman Index	16.9	12.5	9.8	—

Top quartile commingled equity funds

3-month returns

	%
Liberty National, Ky.	10.4
Bank of the West, Calif.	9.9
First of America, Mich.	9.0
First of Maryland	7.6
Sun Bank, Fla.	7.5
First of Maryland	7.0
Southeast Bank, Fla.	6.9
Fidelity Mgmt. Trust, Mass.	5.8
Natwest USA, N.Y.	5.8
First Interstate of Oregon	5.7
Pittsburgh Natl., Pa.	5.7
First Union Bank, N.C.	5.6
Natl. Bank of Bloomington, Ill.	5.5
Natl. Bank of Commerce, Neb.	5.5
First Interstate of Nevada	5.4
Pittsburgh Natl., Pa.	5.2
HT Investors, R.I.	5.2
Bank of New England, Mass.	5.1
New England Mutual, Mass.	4.9
Beverly Bank, Ill.	4.9
American Natl., Minn.	4.8
First Fidelity, N.J.	4.7
Riggs of Washington	4.7
Crown Life, Ontario	4.7
National of Georgia	4.7
Dauphin Deposit, Pa.	4.6
Bank of California	4.5
First of Chicago	4.5
Midlantic Natl., N.J.	4.5
Oregon Bank	4.4
First Jersey Natl., N.J.	4.4
New Jersey National	4.3
Central Penn, Pa.	4.2
Olympic Bank, Wash.	4.2
Provident Natl., Pa.	4.2
Republic Natl., Dallas	4.2
Citizens Fidelity, Ky.	4.1
First of America, Mich.	4.0
Centerre Trust, Mo.	4.0
Mercantile Trust, Mo.	4.0
Merchants Natl., Ala.	4.0
Maryland National	3.9
Harris Trust, Ill.	3.9
Provident Bank, Ohio	3.9
MTrust, Texas	3.8
Crocker Natl., Calif.	3.8
Manufacturers Detroit	3.8
US Natl. of Galveston	3.7
Society Natl., Ohio	3.7
American Natl. Bank, Ind.	3.7
Fidelity Bank, Pa.	3.6
Bank of New York	3.6
Toledo Trust, Ohio	3.5
Citytrust, Conn.	3.4
Manufacturers & Trader, N.Y.	3.4
Bessemer Trust, N.Y.	3.4
CNA Insurance, Ill.	3.4
Bank One, Ohio	3.4
First Interstate, Billings, Mont.	3.4
First in Bartlesville, Okla.	3.4
United Missouri, Kansas City	3.3
Texas American Bank	3.3
Branch Bank & Trust, N.C.	3.3
Sentry Life, Wis.	3.2
Bank of Oklahoma, Tulsa	3.2
First Natl., Lincoln, Neb.	3.2
First Interstate of Wash.	3.2
Marine Trust, Wis.	3.2
Old Second Natl., Ill.	3.2
Genesee Merchants, Mich.	3.2
Guardian Insurance, N.Y.	3.2
Summit Trust Co., N.J.	3.2
Standard & Poor's 500	**1.9**

1-year returns

	%
Bank of the West, Calif.	26.1
First of America, Mich.	20.8
Natl. Bank of Bloomington, Ill.	20.7
First Interstate of Oregon	18.0
First of America, Mich.	18.0
First of Maryland	16.4
Bank of New England	16.2
New Jersey National	15.4
Sun Bank, Fla.	15.4
Gary Wheaton Bank, Ill.	15.1
Bank of California	13.8
Jefferson Trust, Ill.	13.6
First Union Bank, N.C.	12.7
Centerre Trust, Mo.	12.6
MBank, Fort Worth, Texas	11.9
Landmark Union Trust, Fla.	11.7
Guardian Insurance, N.Y.	11.6
Central Penn, Pa.	11.1
Fidelity Mgmt. Trust, Mass.	10.8
Lake Shore Natl., Ill.	10.7
Manufacturers Detroit	10.7
First in Bartlesville, Okla.	10.7
Mercantile Safe, Md.	10.4
Southeast Bank, Fla.	10.3
First Alabama Bank	10.1
Provident Natl., Pa.	9.9
US Natl. of Galveston	9.9
Republic Natl., Dallas	9.8
Midlantic Natl., N.J.	9.8
American Natl., Tenn.	9.7
Citytrust, Conn.	9.6
John Hancock, Mass.	9.4
Phoenix Mutual, Conn.	9.3
National of Georgia	9.1
Cullen Bank, Texas	8.8
Mellon Bank, Pa.	8.8
United Virginia Bank	8.7
Dominion Trust, Va.	8.4
Old Kent, Mich.	8.4
Oregon Bank	8.2
First Trust, St. Paul, Minn.	8.2
First Pennsylvania Bank	7.9
American Natl., Ind.	7.9
Landmark First Natl., Fla.	7.8
United Carolina Bank, N.C.	7.8
John Hancock, Mass.	7.8
Sentry Life, Wis.	7.7
Bank of Oklahoma, Tulsa	7.7
Toledo Trust, Ohio	7.6
Dauphin Deposit, Pa.	7.6
AmeriTrust, Ohio	7.6
Natl. Bank of Commerce, Neb.	7.5
US Trust, N.Y.	7.5
Summit Bank, Ind.	7.5
First Jersey Natl., N.J.	7.5
Ouachita Natl., La.	7.5
Manufacturers & Trader, N.Y.	7.4
First Tennessee, Chat.	7.4
Mercantile Trust, Mo.	7.3
Comerica Bank, Mich.	7.3
Resource Bank & Trust, Minn.	7.1
Natl. Bank of Detroit	7.1
Natl. Bank of Commerce, Tenn.	7.1
Irving Trust, N.Y.	7.1
Standard & Poor's 500	**6.3**

3-year returns

	%
Manufacturers Life, Ontario	32.5
First Union Bank, N.C.	27.0
Fidelity Mgmt. Trust, Mass.	26.6
First Variable Life, Ark.	26.0
Sun Bank, Fla.	25.7
First Interstate of Oregon	24.7
AmSouth, Ala.	24.3
Connecticut Mutual Life	23.2
Provident Natl., Pa.	22.7
United of Denver, Colo.	22.3
Lake Shore Natl., Ill.	21.7
Mutual Benefit, N.J.	21.3
First of Oklahoma	21.2
Manufacturers Detroit, Mich.	21.2
MBank, Fort Worth, Texas	21.1
New England Mutual	20.8
Guardian Insurance, N.Y.	20.8
Resource Bank & Trust, Minn.	20.7
Southeast Bank, Fla.	20.6
US Natl. of Galveston	20.2
Mercantile Safe, Md.	20.1
First of Warsaw, Ind.	19.9
Minnesota Mutual	19.9
Midlantic Natl., N.J.	19.8
Natl. Bank of Commerce, Tenn.	19.8
Irving Trust, N.Y.	19.8
First Tennessee, Chat.	19.7
Landmark Union Trust, Fla.	19.7
Dauphin Deposit, Pa.	19.7
First of America, Mich.	19.7
United Virginia Bank	19.5
Union Central, Ohio	19.4
US Natl. of Oregon	19.4
Natl.Bank of Bloomington, Ill.	18.9
Centerre Trust, Mo.	18.7
Gary Wheaton Bank, Ill.	18.7
Republic Natl., Dallas	18.7
Merchants Natl., Ala.	18.7
Bank of the West, Calif.	18.7
First Alabama Bank	18.5
First Bank, Milwaukee	18.3
New Jersey National	18.0
Massachusetts Mutual	18.0
First in Bartlesville, Okla.	18.0
Society National, Ohio	17.8
MTrust, Texas	17.8
Old Kent, Mich.	17.7
Shawmut Bank, Mass.	17.7
First Wis. Natl., Madison	17.6
Texas Commerce	17.5
Confederation Life, Ontario	17.4
Citytrust, Conn.	17.3
Midlantic Natl., N.J.	17.3
AmeriTrust, Ohio	17.3
American Natl., Chicago	17.3
Central Natl., Cleveland	17.3
HT Investors, R.I.	17.2
Union Planters, Tenn.	17.1
Planters Natl., N.C.	17.1
John Hancock, Mass.	17.1
Wheeling Dollar Bank, W. Va.	17.0
Oregon Bank	17.0
United Carolina Bank, N.C.	17.0
Jefferson Trust, Ill.	17.0
Bankers Trust, N.Y.	17.0
Boston Safe Deposit, Mass.	17.0
First Security Natl., Ky.	17.0
First Trust, St. Paul, Minn.	17.0
Standard & Poor's 500	**16.8**

Investment managers are only as successful as their investment philosophies.

Every year, it seems, a large percentage of investment managers discard their suddenly shopworn philosophies for those in vogue.

At First Union's Capital Management Group, we don't subscribe to faddish trends. Our approach to investment management is ordered and highly disciplined. Painstakingly developed, our methods have proven effective in good markets and bad. And, our performance consistently ranks us among the very best money managers in the country.

Overlooked and under-followed stocks occupy a favored position in our portfolio because they hold the most potential for optimum returns.

In bond management, we seek to minimize the effects of the volatility in the bond market through controlled maturity structures and emphasis on credit quality.

Take a look at our rankings in the P.I.P.E.R. Survey. We consider them a testament to the soundness of our approach.

For more details on our management philosophies, call Pete Nagle, Vice President, at (704) 374-6152. The sooner you get our investment team working for you, the sooner you'll see the results.

CAPITAL MANAGEMENT GROUP

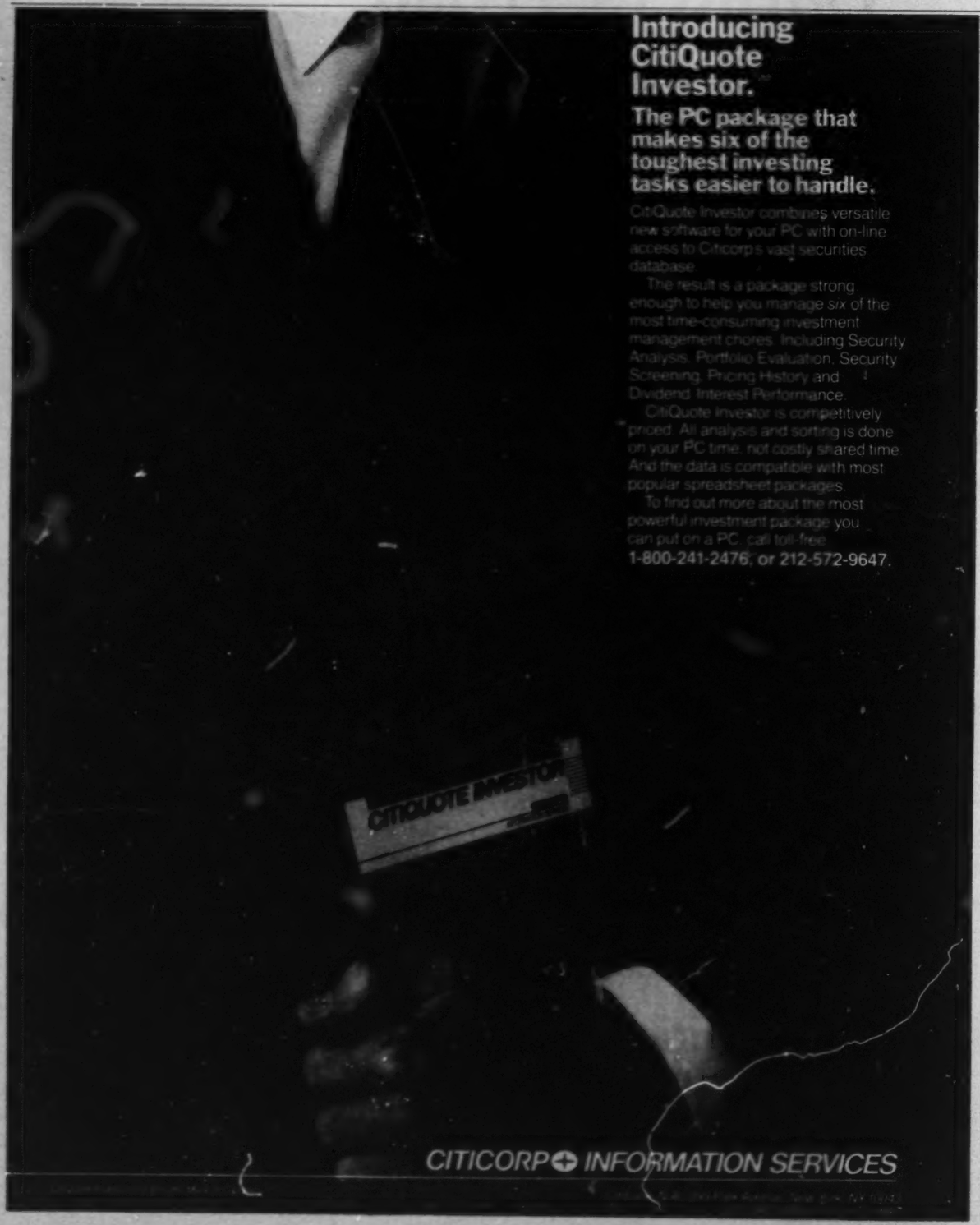
First Union National Bank
1200 First Union Plaza
Charlotte, North Carolina 28288

5-year returns

	%
Manufacturers Life, Ontario	29.0
First Union Bank, N.C.	23.3
Sun Bank, Fla.	22.0
First of Oklahoma	21.0
Provident Natl., Pa.	21.0
AmSouth, Ala.	20.4
Manufacturers, Detroit	19.9
United of Denver	19.6
New England Mutual	19.4
First Variable Life, Ark.	19.2
MBank, Fort Worth, Texas	19.1
First Wis. Natl., Madison	18.8
Lake Shore Natl., Ill.	18.8
US Natl. of Galveston	18.6
First Interstate of Oregon	18.6
Midlantic Natl., N.J.	18.6
US Natl. of Oregon	18.5
Wheeling Dollar Bank, W. Va.	18.2
Connecticut Mutual Life	18.1
MTrust, Texas	17.9
Confederation Life, Ontario	17.8
Landmark Union Trust, Fla.	17.8
Dauphin Deposit, Pa.	17.7
Philadelphia Natl., Pa.	17.7
Massachusetts Mutual	17.7
First Tennessee, Chat.	17.7
Mutual Benefit, N.J.	17.6
American Natl., Chicago	17.6
Mercantile Safe, Md.	17.5
Citytrust, Conn.	17.5
Guardian Insurance, N.Y.	17.3
Union Central, Ohio	17.2
Centerre Trust, Mo.	17.2
Southeast Bank, Fla.	17.2
United Virginia Bank	17.0
IAA Trust Co., Ill.	17.0
Equitable Life, N.Y.	16.9
Planters National, N.C.	16.8
First Interstate of Denver	16.8
State Street Bank, Mass.	16.8
Aetna Life & Casualty, Conn.	16.8
Dominion Trust, Va.	16.
First Alabama Bank	16.6
First of Warsaw, Ind.	16.5
First Trust Corp., Colo.	16.5
Natl. Bank of Commerce, Tenn.	16.4
First Interstate of Nevada	16.4
Security Norstar Bank, N.Y.	16.3
Fifth Third Bank, Ohio	16.3
Texas Commerce	16.3
First in Bartlesville, Okla.	16.2
Fourth National, Tulsa	16.2
First Interstate of Wash.	16.2
Minnesota Mutual	16.1
Mid-State Bancorp., Pa.	16.0
HT Investors, R.I.	16.0
Employers Life of Wausau, Wis.	16.0
First of America, Mich.	15.9
Union Planters, Tenn.	15.9
Standard & Poor's 500	**14.9**

10-year returns

	%
Manufacturers Life, Ontario	27.0
Guardian Insurance, N.Y.	21.8
Citizens Chillicothe, Mo.	21.6
AmSouth, Ala.	21.3
First Wis. Natl., Madison	20.7
First Variable Life, Ark.	20.4
Confederation Life, Ontario	20.0
First Trust Corp., Colo.	19.6
US Natl. of Galveston	19.6
Bankers Life, Iowa	19.6
Provident National, Pa.	19.1
US Natl. of Oregon	18.9
Landmark Union Trust, Fla.	18.9
First of America, Mich.	18.5
Bessemer Trust, N.Y.	18.2
First of Oklahoma	18.0
MTrust, Texas	17.5
Aetna Life & Casualty, Conn.	17.3
Security Norstar Bank, N.Y.	17.3
First Interstate of Oregon	17.1
First Union Bank, N.C.	17.1
Fourth Natl., Tulsa, Okla.	16.8
First Interstate of Wash.	16.8
MBank, Fort Worth, Texas	16.5
Massachusetts Mutual	16.5
Texas American Bank	16.4
First Interstate of Denver	16.4
Equitable Life, N.Y.	16.2
Life of Virginia	16.2
Employers Life of Wausau, Wis.	16.1
Liberty National, Okla.	16.1
Fifth Third Bank, Ohio	16.0
Chicago Title & Trust	16.0
Manufacturers Detroit, Mich.	15.9
United of Denver	15.8
Natl. Bank of Commerce, Neb.	15.7
New England Mutual	15.7
Bank of Oklahoma, Tulsa	15.6
First Tennessee, Chat.	15.6
Olympic Bank, Wash.	15.5
National City, Cleveland	15.4
Equitable Bank, Md.	15.3
Northern Trust, Ill.	15.3
Bank of Delaware	15.3
Central National, Cleveland	15.3
Minnesota Mutual	15.2
Lake Shore Natl., Ill.	15.2
Union Central, Ohio	15.2
Pittsburgh Natl., Pa.	15.1
Mutual Benefit, N.J.	15.0
Standard & Poor's 500	**14.9**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3-month returns

	%
Life of Virginia	10.2
United of Denver, Colo.	9.2
Centerre Trust, Mo	9.0
Travelers, Conn.	8.8
Allied Bank, Texas	8.7
Central Natl., Cleveland	8.7
Citizens & Southern, Ga.	8.7
Manufacturers Hanover, N.Y.	8.5
Mellon Bank, Pa.	8.5
MBank, Austin, Texas	8.3
Connecticut Bank & Trust	8.3
First Interstate of Nevada	8.3
IAA Trust Co., Ill.	8.2
Beverly Bank, Ill.	8.2
Confederation Life, Ontario	8.2
Bankers Life, Iowa	8.2
First Interstate of Denver	8.2
American National, Minn.	8.1
Natl. Bank of Commerce, Tenn.	8.1
Fourth Natl., Wichita, Kan.	8.1
Equitable Life, N.Y.	8.0
Interfirst Invt. Mgmt., Texas	8.0
First Jersey Natl., N.J.	8.0
Continental Illinois	8.0
Natl. Bank of Commerce, Neb.	8.0
Bank of California	7.9
Wheeling Dollar Bank, W. Va.	7.9
First Wis. Natl., Madison	7.9
Manufacturers Life, Ontario	7.8
John Hancock, Mass.	7.8
Commonwealth Natl., Pa.	7.8
Irving Trust, N.Y.	7.8
First City Natl., Houston	7.8
Wachovia Bank, N.C.	7.8
Connecticut National Bank	7.7
Mercantile Natl., Ind.	7.7
CIGNA Corp., Conn.	7.6
Commerce Bank, K.C., Mo.	7.6
Citytrust, Conn.	7.6
Bank of New England	7.6
Northern Trust, Ill.	7.6
Trust Svcs. of Amer., Calif.	7.5
AmSouth, Ala.	7.5
Minnesota Mutual	7.5
Crocker National, Calif.	7.5
Moline National, Ill.	7.5
First of Minneapolis	7.5
Hawaiian Trust	7.4
Lloyds Bank, Calif.	7.4
Natl. Bank of Detroit	7.4
Seafirst Bank, Wash.	7.4
Texas Commerce	7.4
First Trust Corp., Colo.	7.4
Aetna Life & Casualty, Conn.	7.4
Connecticut National Bank	7.4
Central Trust, Ohio	7.4
Security Pacific, Calif.	7.4
Trust Co. of Georgia	7.4
American Security, D.C.	7.4
Shearson Lehman Index	**7.4**
US Trust, N.Y.	7.3
Bankers Trust, N.Y.	7.3
First of Oklahoma	7.3
Key Trust Co., N.Y.	7.3
Union Planters, Tenn.	7.3
Sun Bank, Fla.	7.3
Valley National, Ariz	7.3
US Natl. of Oregon	7.3
Fifth Third Bank, Ohio	7.3

1-year returns

	%
IAA Trust Co., Ill.	19.2
Life of Virginia	18.9
John Hancock, Mass.	17.6
First of Allentown, Pa.	17.2
Merchants National, Ala.	17.1
Allied Bank, Texas	16.8
First City Dallas	16.7
Equitable Life, N.Y.	16.6
Beverly Bank, Ill.	16.5
United of Denver	16.4
Citizens & Southern, Ga.	16.1
CIGNA Corp., Conn.	16.1
Wilmington Trust, Del.	16.0
California First Bank	16.0
Mutual of New York	15.9
Hamilton Bank, Pa.	15.9
First Wis. Natl., Madison	15.8
Trust Svcs. of Amer., Calif.	15.8
First of Chicago	15.7
Toledo Trust	15.6
Society Natl., Ohio	15.6
Bank of California	15.5
Wheeling Dollar Bank, W. Va.	15.5
Key Trust Co., N.Y.	15.5

Top equity funds by size

1-year returns

Over $100 million

	%
Fidelity Mgmt. Trust, Mass.	10.8
Provident Natl., Pa.	9.9
John Hancock, Mass.	9.4
Mellon Bank, Pa.	8.8
Natl. Bank of Detroit	7.1
American Natl., Chicago	6.3
Bankers Trust, N.Y.	5.9
Massachusetts Mutual	5.4
First of Chicago	5.4
Metropolitan Life, N.Y.	5.3

$50 million to $100 million

	%
First Union Bank, N.C.	12.7
Centerre Trust, Mo.	12.6
Manufacturers Detroit	10.7
United Virginia Bank	8.7
Old Kent, Mich.	8.4
First Pennsylvania Bank	7.9
John Hancock, Mass.	7.8
Sentry Life, Wis.	7.7
AmeriTrust, Ohio	7.6
US Trust, N.Y.	7.5

$10 million to $50 million

	%
First of America, Mich.	20.8
First Interstate of Oregon	18.0
First of America, Mich.	18.0
Sun Bank, Fla.	15.4
Jefferson Trust, Ill.	13.6
Landmark Union Trust, Fla.	11.7
Guardian Insurance, N.Y.	11.6
Central Penn, Pa.	11.1
Mercantile Safe, Md.	10.4
Southeast Bank, Fla.	10.3

Under $10 million

	%
Bank of the West, Calif.	26.1
Natl. Bank of Bloomington	20.7
First of Maryland	16.4
Bank of New England	16.2
New Jersey National	15.4
Gary Wheaton Bank, Ill.	15.1
Bank of California	13.8
MBank, Fort Worth	11.9
Lake Shore Natl., Ill.	10.7
First in Bartlesville	10.7

10-year returns

Over $100 million

	%
Bankers Life, Iowa	19.6
Provident National, Pa.	19.1
US Natl. of Oregon	18.9
MTrust, Texas	17.5
Aetna Life & Casualty, Conn.	17.3
Massachusetts Mutual	16.5
Equitable Life, N.Y.	16.2
Life of Virginia	16.2
Natl. City Cleveland	15.4
Texas Commerce	14.7

$50 million to $100 million

	%
AmSouth, Ala.	21.3
First Wis. Natl., Madison	20.7
Bessemer Trust, N.Y.	18.2
First Union Bank, N.C.	17.1
First Interstate of Denver	16.4
Chicago Title & Trust, Ill.	16.0
Manufacturers Detroit, Mich.	15.9
Mutual Benefit, N.J.	15.0
United Virginia Bank	14.5
AmeriTrust, Ohio	14.2

$10 million to $50 million

	%
Manufacturers Life, Ont.	27.0
Guardian Insurance, N.Y.	21.6
First Variable Life, Ark.	20.4
First Trust Corp., Colo.	19.6
US Natl. of Galveston	19.6
Landmark Union Trust, Fla.	18.9
First of America, Mich.	18.5
First of Oklahoma	18.0
Security Norstar Bank, N.Y.	17.3
First Interstate of Oregon	17.1

Under $10 million

	%
Citizens Chillicothe, Mo.	21.6
Confederation Life, Ont.	20.0
MBank, Fort Worth	16.5
First Tennessee, Chat.	15.6
Olympic Bank, Wash.	15.5
Lake Shore Natl., Ill.	15.2
Union Central, Ohio	15.2
Pittsburgh National, Pa.	15.1
First of Warsaw, Ind.	14.8
First in Bartlesville, Okla.	14.6

Commonwealth Natl., Pa.	15.5
Crocker National, Calif.	15.4
Continental Illinois	15.4
Oregon Bank	15.4
Mellon Bank, Pa.	15.3
First Interstate of Denver	15.3
Confederation Life, Ontario	15.3
First Interstate of Nevada	15.3
Pacific Mutual, Calif.	15.2
Seafirst Bank, Wash.	15.2
First Bank of Milwaukee	15.2
State Street Bank, Mass.	15.2
Travelers, Conn.	15.1
First City Natl., Houston	15.1
First of Minneapolis	15.0
First Trust Corp., Colo.	15.0
Fourth Natl., Wichita, Kan.	15.0
Shearson Lehman Index	**15.0**
Natl. of Georgia	15.0
Central Trust, Ohio	14.9
First Interstate of Calif.	14.9
First Natl., Jackson, Miss.	14.9
American Security, D.C.	14.9
Centerre Trust, Mo.	14.9
Connecticut Bank & Trust	14.9
First Kentucky Trust	14.8
First of Warsaw, Ind.	14.8
First Jersey Natl., N.J.	14.8

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Old Second Natl., Ill.	14.8
Sovran Bank, Va.	14.8
Bankers Life, Iowa	14.8
Mutual of New York	14.8
Lloyds Bank, Calif.	14.7
Equibank, Pa.	14.7
Natl. Bank of Commerce, Tenn.	14.7
Central Natl., Cleveland	14.7
Natl. Bank of Commerce, Neb.	14.7
Dauphin Deposit, Pa.	14.6
Northern Trust, Ill.	14.6

3-year returns

	%
Life of Virginia	21.7
First Wis. Natl., Madison	21.2
Wheeling Dollar Bank, W. Va.	20.3
Trust Svcs. of Amer., Calif.	20.2
Commonwealth Natl., Pa.	20.2
First Kentucky Trust	20.1
Central Natl., Cleveland	20.1
Society National, Ohio	20.1
United of Denver, Colo.	20.1
Allied Bank, Texas	20.0
John Hancock, Mass.	20.0
Mutual of New York	19.8
American Security, D.C.	19.7
CIGNA Corp. (Int.), Conn.	19.6
IAA Trust Co., Ill.	19.6
CIGNA Corp. (Pub.), Conn.	19.5
Commerce Union, Tenn.	19.4
AmSouth, Ala.	19.4
First Variable Life, Ark.	19.4
Lloyds Bank, Calif.	19.4
First of Chicago	19.3
Centerre Trust, Mo.	19.2
First Interstate of Denver	19.2
Citibank, N.Y.	19.1
Mutual of New York	19.1
Sovran Bank, Va.	19.0
Pacific Mutual, Calif.	19.0
Beverly Bank, Ill.	19.0
Bank of New York	18.9
Key Trust Co., N.Y.	18.9
State Street Bank, Mass.	18.9
Pioneer Bank, Ill.	18.8
Wachovia Bank, N.C.	18.7
Irving Trust, N.Y.	18.7
Hamilton Bank, Pa.	18.6
Liberty Natl., Okla.	18.5
California First Bank	18.4
Union Planters, Tenn.	18.4
Toledo Trust, Ohio	18.3
First of Allentown, Pa.	18.3
Bank of California	18.3
US Natl. of Oregon	18.2

Top fixed funds by size

1-year returns

Over $100 million

	%
Life of Virginia	18.9
John Hancock, Mass.	17.6
CIGNA Corp., Conn.	16.1
First of Chicago	15.7
American Security, D.C.	14.9
Centerre Trust, Mo.	14.9
Harris Trust, Ill.	14.3
Prudential, N.J.	14.1
First Union Bank, N.C.	14.1
Comerica Bank, Mich.	14.1

$50 million to $100 million

	%
Equitable Life, N.Y.	16.6
Continental Illinois	15.4
Mellon Bank, Pa.	15.3
First Interstate of Denver	15.3
Mutual of New York	14.8
Northern Trust, Ill.	14.6
Midlantic Natl., N.J.	14.2
InterFirst Invt. Mgmt., Texas	13.9
Hibernia Natl., La.	13.8
Mellon Bank, Pa.	13.4

$10 million to $50 million

	%
United of Denver	16.4
Citizens & Southern, Ga.	16.1
California First Bank	16.0
Mutual of New York	15.9
Hamilton Bank, Pa.	15.9
First Wis. Natl., Madison	15.8
Trust Svcs. of Amer. Calif.	15.8
Commonwealth Natl., Pa.	15.5
Crocker National, Calif.	15.4
Seafirst Bank, Wash.	15.2

Under $10 million

	%
IAA Trust Co., Ill.	19.2
First of Allentown, Pa.	17.2
Merchants Natl., Ala.	17.1
Allied Bank, Texas	16.8
First City Dallas	16.7
Beverly Bank, Ill.	16.5
Wilmington Trust, Del.	16.0
Toledo Trust, Ohio	15.6
Society Natl., Ohio	15.6
Wheeling Dollar Bank	15.5
Key Trust Co., N.Y.	15.5

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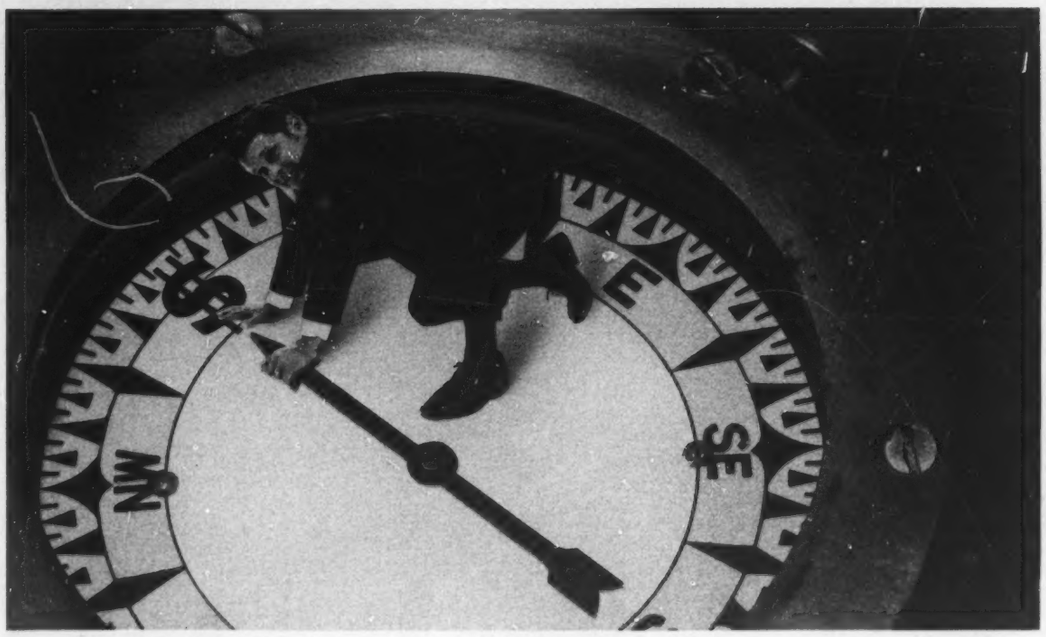

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Liberty Natl., Ky.	18.1
American Natl., Minn.	18.1
Natl. Bank of Commerce, Neb.	18.1
Crocker Natl., Calif.	18.1
First Fidelity, N.J.	18.0
First Interstate of Calif.	18.0
Ohio Citizens Trust	18.0
Midlantic Natl., N.J.	17.9
Manufacturers & Trader, N.Y.	17.9
Bank of Oklahoma, Tulsa	17.9
Colonial American Natl., Va.	17.8
Confederation Life, Ontario	17.8
Security Pacific, Calif.	17.7
First of Cincinnati, Ohio	17.7
Citytrust, Conn.	17.7
Mellon Bank, Pa.	17.7
Connecticut National Bank	17.6
First of Maryland	17.6
First of Warsaw, Ind.	17.6
Interfirst Invt. Mgmt., Texas	17.6
Shearson Lehman Index	**17.6**

5-year returns

	%
Sovran Bank, Va.	15.5
Life of Virginia	14.9
Allied Bank, Texas	14.9
Fourth Natl., Wichita, Kan.	14.4
Beverly Bank, Ill.	14.3
Cullen Bank, Texas	14.3
Seafirst Bank, Wash.	14.0
First Jersey Natl., N.J.	13.9
Northern Trust, Ill.	13.9
First Kentucky Trust	13.9
United Virginia Bank	13.9
First Variable Life, Ark.	13.8
CIGNA Corp., Conn.	13.7
American Security, D.C.	13.6
Lloyds Bank, Calif.	13.6
Texas Commerce	13.5
First Interstate of Calif.	13.5
Riggs of Washington	13.4
Mercantile Trust, Mo.	13.4
Toledo Trust. Ohio	13.4
AmeriTrust, Ohio	13.3
Pacific Mutual, Calif.	13.3
MBank, Austin, Texas	13.3
First of Maryland	13.3
Centerre Trust, Mo.	13.3
American Natl. Bank, Tenn.	13.2
Citizens Trust Co., Wis.	13.2

Top fixed funds by size

10-year returns

Over $100 million

	%
Life of Virginia	12.7
Texas Commerce	11.7
Manufacturers Hanover	10.8
American Security, D.C.	10.8
Centerre Trust, Mo.	10.6
John Hancock, Mass.	10.5
CIGNA Corp., Conn.	10.1
Wachovia Bank, N.C.	9.7
Citibank, N.Y.	9.6
Irving Trust, N.Y.	9.5
First of Chicago, Ill.	9.5

$50 million to $100 million

	%
Hibernia National, La.	11.1
Mercantile Trust, Mo.	10.6
Mellon Bank, Pa.	10.3
Midlantic Natl., N.J.	10.0
US Trust, N.Y.	9.9
Bank of New England	9.9
NCNB Natl. Bank, N.C.	9.8
Bank of New York	9.8
American Natl., Chicago	9.7
Bankers Trust, N.Y.	9.7

$10 million to $50 million

	%
Fourth Natl., Wichita, Kan.	12.9
Sovran Bank, Va.	12.1
First Jersey Natl., N.J.	11.7
Seafirst Bank, Wash.	11.5
Jefferson Trust, Ill.	11.5
Fidelity Bank, Pa.	10.9
First Interstate of Calif.	10.8
California First Bank	10.7
Manufacturers Detroit, Mich.	10.6
First Wis. Natl., Madison	10.5
Trust Svcs. of Amer., Calif.	10.5
First Kentucky Trust	10.5
Cullen Bank, Texas	10.5

Under $10 million

	%
Beverly Bank, Ill.	12.4
Pacific Mutual, Calif.	12.1
Penn Bank, Erie, Pa.	11.2
First of Neenah, Wis.	10.8
Key Trust Co., N.Y.	10.6
Allied Bank, Texas	10.6
Union Planters, Tenn.	10.5
First of Penna, Erie, Pa.	10.5
First in Bartlesville, Okla.	10.4
Ohio Citizens Trust	10.4

Interfirst Invt. Mgmt., Texas	13.2
Manufacturers Hanover	13.2
Jefferson Trust, Ill.	13.2
Hibernia Natl., La.	13.2
Crocker Natl., Calif.	13.2
Bankers Trust, N.Y.	13.2
First of Toledo, Ohio	13.2
Penn Bank, Erie, Pa.	13.1
First of Neenah, Wis.	13.1
Mercantile Safe, Md.	13.0
First Natl. of Commerce, La.	13.0
First of Penna, Erie	13.0
State Street Bank, Mass.	13.0
AmSouth, Ala.	13.0
Key Trust Co., N.Y.	13.0
Northern Central, Pa.	12.9
First of Warsaw, Ind.	12.9
Morgan Guaranty, N.Y.	12.9
Bankers Trust, N.Y.	12.9
First Bank Milwaukee	12.9
Landmark Union Trust, Fla.	12.9
Union Planters, Tenn.	12.9
Bank of New England	12.9
Gary Wheaton Bank, Ill.	12.8
Olympic Bank, Wash.	12.8
Commerce Union, Tenn.	12.8
Bank One, Ohio	12.8
First Fidelity, N.J.	12.8
American Natl., Chicago	12.8
First Natl., Jackson, Miss.	12.8
United of Denver	12.8
Mid-State Bancorp, Pa.	12.8
Moline National, Ill.	12.8
Oregon Bank	12.8
Shearson Lehman Index	**12.5**

10-year returns

	%
Fourth Natl., Wichita, Kan.	12.9
Life of Virginia	12.7
Beverly Bank, Ill.	12.4
Pacific Mutual, Calif.	12.1
Sovran Bank, Va.	12.1
Texas Commerce	11.7
First Jersey Natl., N.J.	11.7
Seafirst Bank, Wash.	11.5
Jefferson Trust, Ill.	11.5
Penn Bank, Erie, Pa.	11.2
Hibernia Natl., La.	11.1
Fidelity Bank, Pa.	10.9
First Interstate of Calif.	10.8
Manufacturers Hanover	10.8
First of Neenah, Wis.	10.8
American Security, D.C.	10.8
California First Bank	10.7
Key Trust Co., N.Y.	10.6
Mercantile Trust, Mo.	10.6
Allied Bank, Texas	10.6
Manufacturers Detroit, Mich.	10.6
Centerre Trust, Mo.	10.6
First Wis. Natl., Madison	10.5
Union Planters, Tenn.	10.5
Trust Svcs. of Amer., Calif.	10.5
First Kentucky Trust	10.5
John Hancock, Mass.	10.5
Cullen Bank, Texas	10.5
First of Penna, Erie, Pa.	10.5
First in Bartlesville, Okla.	10.4
Lloyds Bank, Calif.	10.4
American National, Tenn.	10.4
Ohio Citizens Trust	10.4
Citytrust, Conn.	10.4
Commerce Union, Tenn.	10.4
MBank, Fort Worth, Texas	10.3
Mellon Bank, Pa.	10.3

Continued on page 24

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Equity funds . . .

Continued from page 13

than the second-place fund, and 9.9% for the fourth quarter, for which it ranked second. The bank's performance reflects a Wilshire Associates study that found utilities to be the best performing market sector in 1984 among S&P 500 stocks, at 25.4%. Next were energy stocks, 12%.

Continued from page 23

Security Norstar Bank, N.Y.	10.2
Toledo Trust, Ohio	10.2
CIGNA Corp., Conn.	10.1
AmeriTrust, Ohio	10.1
United of Denver, Colo.	10.1
Moline National, Ill.	10.1
Riggs of Washington	10.1
Oregon Bank	10.1
First of Toledo, Ohio	10.1
Shearson Lehman Index	**9.5**

"Our policy over the past two to two and a half years was investing to a substantial degree in utility stocks, and it paid off in a big way in 1984," said Joseph W. Hefner, vice president and investment officer at Bank of the West.

For three years, the fund is in the second decile, 39th overall, at an 18.7% compound annual total return.

The utility stocks picked up at midyear, mostly in response to the decline in interest rates and the positive activity in the bond market. The fund benefited from appreciation and 12% dividend yields, which are reinvested.

Although Mr. Hefner said the outlook for utilities is bright for several years because of declining capital spending and improved cash flows, the bank is diminishing its dependence on them.

It made a slight switch in the fourth quarter, adding **R.J. Reynolds Industries Inc.** and **Philip Morris Inc.** from the tobacco sector and **American Home Products Corp.** and **IBM Corp.**

Manufacturers Life Insurance Co.'s pace-setting fund is among the group hurt by the change in market favorites.

The $25.5 million pool in U.S. equities run by the Toronto insurer remains the leader for all funds for three, five and 10 years, and was tops in 1983 at 51.8%. The next best performing fund returned 40.1% that year.

But last year, the fund's return plummeted to 1.7%, putting it in the PIPER universe's seventh decile. Its fourth-quarter return was 1.2%, in the eighth decile.

Donavon McKerchar, assistant investment vice president at Manufacturers Life, said he was "a little too optimistic at the beginning of the year," raising the cash position to 40% while holding small-cap stocks, including some high-technology issues, that had done well for the fund previously.

"The first half did us in," he said.

By the end of July, Manufacturers reduced its cash to less than 10% and moved to a much larger weighting in high-cap stocks, attractive to the manager based on price: **Walt Disney Productions, K mart Corp., Hoover Co., Lone Star Industries Inc., Wal-Mart Stores, American Express Co.** and **Great Western Financial Corp.**

First of America Bank in Kalamazoo, Mich., was the best manager of funds in the $10 million to $50 million range, with two funds among the top five overall in 1984, an equity fund at 20.8% (second) and a capital growth fund at 18% (tied for fourth). The equity fund was third overall for the fourth quarter, with a total return of 9%, and is now in the second decile for three years with a compound annual return of 19.7%, 30th overall.

Craig A. Vander Molen, vice president in the bank's equity group, said First of America uses a disciplined, value-oriented approach, screening a pool of low P/E stocks to find those that appear cheap and have a good potential for earnings surprises, where investors perceptions of the stock are starting to change. The equity fund is essentially fully invested.

It had a "good" weighting in utilities, Mr. Vander Molen said, including **Central & South West Corp., Baltimore Gas & Electric Co., Commonwealth Edison Co.,** and **Consolidated Edison Co. of New York.**

The fund also gained from its holdings of defense stocks (**McDonnell Douglas Corp.** and **United Technologies Corp.**) and financial stocks (**Citizens & Southern Georgia Corp.** and **The Wachovia Corp.**)

The utility and regional bank stocks performed particularly well in the second half of 1984. First of America got rid of most of its oil stocks by the end of February, holding instead natural gas issues.

Wilshire Associates said 1984 was not a year for the aggressively managed fund, but the third best pool in the PIPER rankings is an example of a small ($375,000) market-timed account. Run by the National Bank of Bloomington, Ill., it wrung out a 20.8% return.

During the first half of the year, National Bank of Bloomington took a highly defensive posture, said Diane Nafziger, trust investment officer. It maintained cash in the 40% to 50% range and held **Ralston Purina Co., Jewel Companies Inc., American Home Products Corp.** and **Standard Oil Co. (Indiana).**

In mid-July, when the Dow Jones industrial average sank to 1,080 and the bank determined the market was oversold, the fund became bullish, bringing its stock level to more than 90%.

Ms. Nafziger said it moved to good-quality, high-beta companies with highly visible earnings streams: **IBM, Digital Equipment Corp., Motorola Inc., Honeywell Inc., Ryder System Inc.** and **Phibro-Salomon Inc.**

But within four weeks, the bank had pared back to 60% stocks, holding onto only Ryder of the group bought in July and taking profits on the rest. In mid-October, it was back into **Data General Corp., Honeywell, Motorola** and **IBM.** By mid-November, those stocks again were "victims" of profit-taking. In mid-December, the bank reacquired Data General and Honeywell and held a 30% cash position.

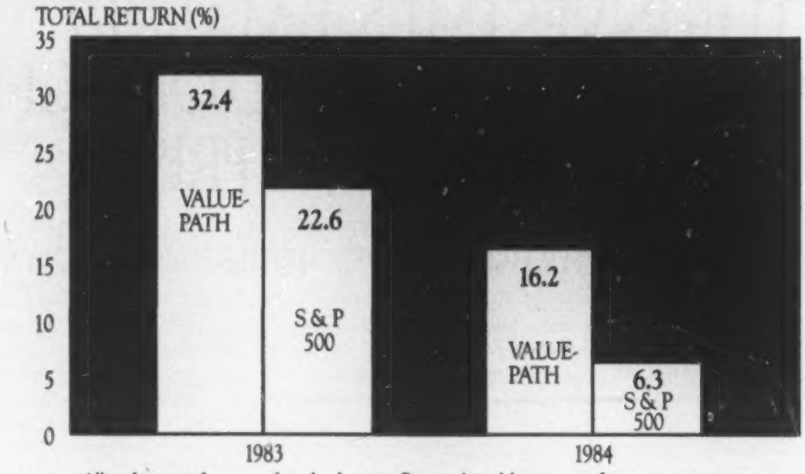
"Our timing was really, really fortunate," Ms. Nafziger said.

First Interstate of Oregon was another manager that was successful by starting 1984 with a conservative, low-risk strategy that called for value and low P/E stocks. It, too, was heavily weighted in financial and utility issues, with strong exposure to insurance stocks, said J. Christian Toronto, vice president and manager of pension investments.

The best performer was **Dreyfus Corp.** Other holdings included **Torchmark Corp., Loews Corp., Central & South West, R.J. Reynolds, Household International Inc., Northwest Energy Co., USLIFE Corp., Bankers Trust New York Corp., J.P Morgan & Co. Inc., Security Pacific Corp., Jefferson-Pilot Corp., Phibro-Salomon, Pacific Gas & Electric Co.** and **Commonwealth Edison.** About 10% cash is kept in the fund.

First Interstate's investment style changed about three years ago. Since then, it has had a 24.7% compound annual return and ranked sixth for the period. It was fourth in 1984 at 18%. A 5.7% return

Continued on page 26



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Fixed-income . . .

Continued from page 13

years and average quality is A.

Continental Investment is a sister company to Life of Virginia, Mr. Hale said.

Both are owned by the Continental Group, Richmond.

The best performer for the five-year period was another Richmond, Va., company, Sovran Bank. Its $40 million institutional bond fund had a compound annual return of 15.5% for the period.

Sovran officials attribute the results to a strategy based on finding undervalued sectors of the market, said William Schultz, senior vice president and manager of the fixed-income department.

The fund is about one-third in corporate bonds, one-third in government issues and one-third in pass-through mortgage certificates, Mr. Schultz said.

The average maturity is eight years and the average quality is double A.

Sovran's fund had a compound annual return of 12.1% for the past 10 years, putting it in a tie for fourth with the bond fund of Pacific Mutual Life Insurance Co., Newport Beach, Calif.

Sovran also outperformed the Shearson Lehman index in the three-year period, with a return of 19%, but slightly underperformed it in 1984, with a 14.8% return.

Mr. Schultz predicts a volatile bond market in 1985. "There'll be opportunities to both buy bonds cheaper and sell at very good prices," he said.

The leading performer for the 10-year period was the $13 million employee benefits fixed-income fund of Fourth National Bank of Wichita, Kan., with a compound annual return of 12.9%.

"The 10-year performance record was built on some pretty gutsy rate anticipation," said Gary E. Hippensteel, vice president and manager of the securities management department.

The fund continued that posture through the bond market rally in the second half of 1984, retiring some high-quality, long-maturity holdings, Mr. Hippensteel said.

Now, officials are altering the strategy somewhat by getting into relative value orientation, as they look for significant slowing in the decline of rates.

The fund is 55% in corporate bonds, 36% in government issues and 9% in cash, Mr. Hippensteel said

Its average maturity is 13.6 years and average quality is double-A minus.

Fourth National tied the Shearson Lehman index with a 15% return in 1984. It outperformed the index for the quarter, with 8.1%, and for the five-year period, with 14.4%. It underperformed the index for the three-year period.

For the past three years, the second best performer behind Life of Virginia was the bond fund of First Wisconsin National Bank of Madison, with a 21.2% return.

First Wisconsin's philosophy is emphasizing quality, said David Halford, vice president and investment officer: "We don't do much in terms of playing around with junk bonds."

About 65% of the $10.5 million fund is in U.S. government bonds or triple-A rated bonds. The average quality in the fund is double A to triple A and the average maturity is 16 to 17 years.

In 1985, Mr. Halford said he looks for interest rates to come down further, with the prime possibly going to less than 10% and long-term government bonds to 10.5% or 10.75%.

However, he said rates could go higher in the latter half of the year, particularly if there is not substantial reduction in the federal budget deficit.

First Wisconsin outperformed the Shearson Lehman index for 1984, with a return of 15.8%, and for the fourth quarter, with 7.9%. It underperformed the index for the five- and 10-year periods.

After IAA Trust and Life of Virginia, the best performers for all of 1984 were John Hancock Mutual Life Insurance Co., Boston, third with 17.6%; First National Bank of Allentown, Pa., fourth with 17.2%; and Merchants National Bank of Mobile, Ala., fifth with 17.1%.

For the fourth quarter, United Bank of Denver had the second best return, 9.2%, followed by Centerre Trust Co. of St. Louis, 9%; The Travelers Insurance Co., Hartford, Conn., 8.8%; and Allied Bank of Texas, Houston, 8.7%. ■

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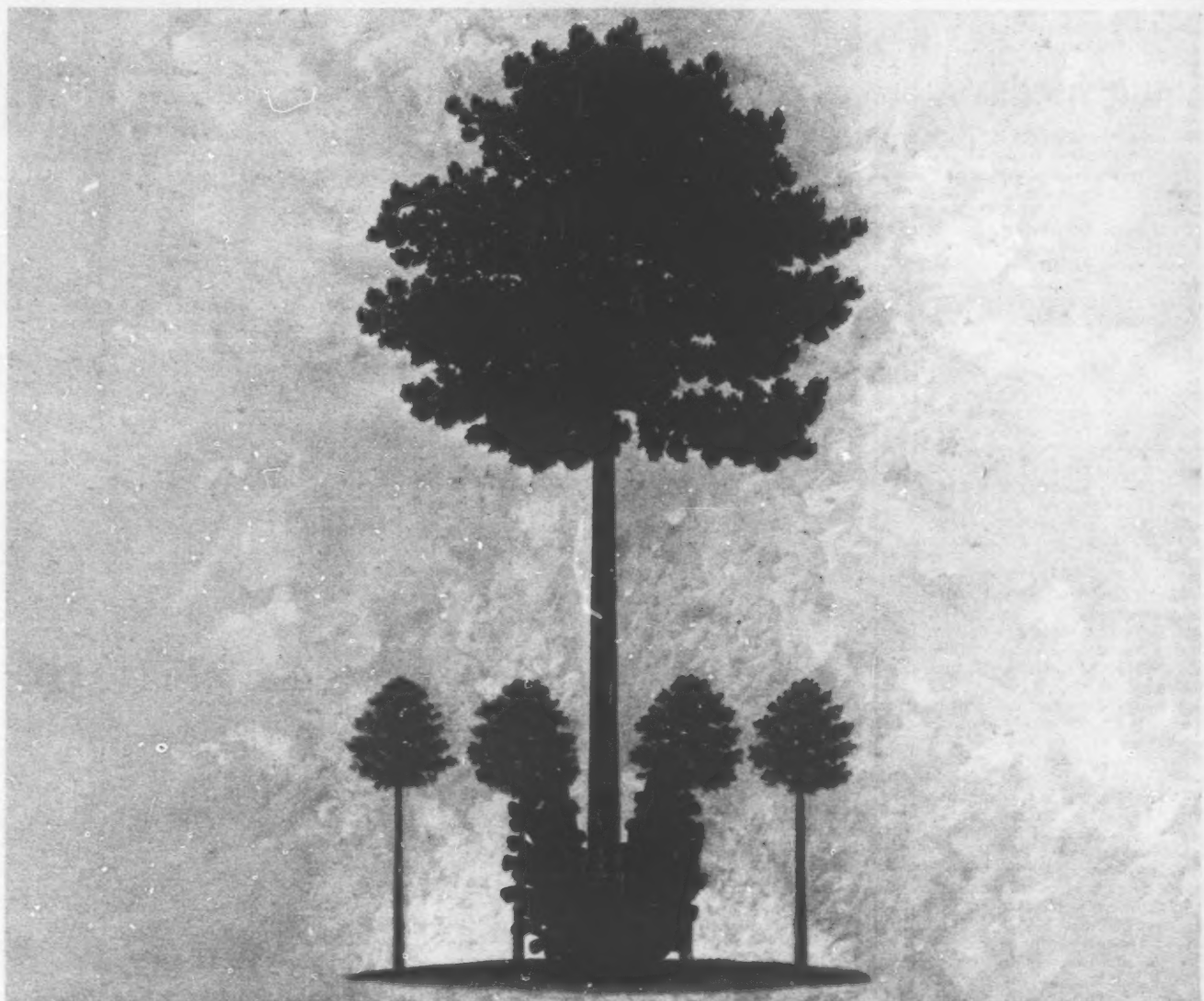

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Lipper index rises 1.72%

Convertibles gain in 1984

NEW YORK — The Lipper Convertible Securities Market Index, measuring the performance of convertible bonds and convertible preferred stocks, was up 1.72% on a total return basis for 1984.

The index is compiled by Lipper Analytical Securities Corp. and includes all issues carried in the Lipper Convertible Analysis Report.

The report covers 390 convertible bonds, 248 convertible preferred stocks and 63 warrants.

The convertible securities index is the one featured in the first edition of Lipper Performance Indexes.

The report will feature details on a different index each month.

Starting at a value of 109.78 Dec. 28, 1983, the convertible securities index rose 3.42% on a total return basis for the first quarter of 1984, but declined sharply during the second quarter.

The index reached its low point July 25 at 107.29, representing a decline of 9.98% for the period.

It rebounded during the ensuing five months to close the year at 121.24.

On a total return basis, convertible bonds monitored by the Lipper Convertible Bonds Market Index declined 2.53% between Dec. 28, 1983, and Dec. 31, 1984.

This decline, when compared with the positive performance of fixed-income investments, might be the result of the failure of secondary stocks to rally on the heels of advancing stock prices in early August, according to Lipper officials.

Convertible preferred stocks, which were up 6.29% for the year, outperformed convertible bonds by 8.98% and helped lift the overall convertible securities index to end the year with a positive return.

Lipper also has indexes for mutual funds, municipal bond funds, brokerage stock prices and mutual fund management companies.

In mutual funds, the Lipper Growth Fund Index was down 2.8% for 1984, closing the year at a value of 213.98.

The Lipper Growth and Income Fund Index closed the year at 338.44, up 2.6%, and the Lipper Balanced Fund Index closed at 283.44, up 4.9%.

The Lipper General Municipal Bond Fund Index, measured on a principal basis only, was down 0.3% for the year, closing at 104.26. Among brokerage stock price indexes, the only one with a positive return was the Lipper Interest Sensitive Brokerage Firm Index, which rose 30.5% during the year to close at 214.

The Lipper Brokerage Firm Composite Index dropped 6.1%, finishing the year at 186, and the Lipper National Full Line Brokerage Firm Index dropped 18.1%, also closing at 186.

The Lipper Regional Brokerage Firm Index went down 24.5%, closing at 160.

The Lipper Mutual Fund Management Company Stock Price Index was up 22.7% for the year, closing at 194.64. ■

Equity funds . . .

Continued from page 24

in the fourth quarter helped.

The bank prefers stocks with betas below the market, Mr. Toronto said.

In utilities, "we tended to focus on those that weren't completely pure from the nuclear industry," he said. "We tend to operate about 150 degrees away from Wall Street. We tend to look for opportunity when they're concerned for a particular stock."

First Union National Bank of Charlotte, N.C., is a rare case of a consistently successful manager of a large fund. For the 10-year period, it had a 17.1% compound annual return, ranking 21st; five years, 23.3%, second place; three years, 27%, again second; and for 1984, the $95 million fund was 13th, at 12.7%, aided by a 5.6% fourth quarter.

William R. Hackney III, chief investment officer for First Union's capital management group, said he raised the cash holdings by late 1983 to 25%, consequently avoiding "some of the pain during the first half of the year."

He believed the time has come to "pull in our horns" after the strong market got tired by mid-1983 and interest rates had started moving upward.

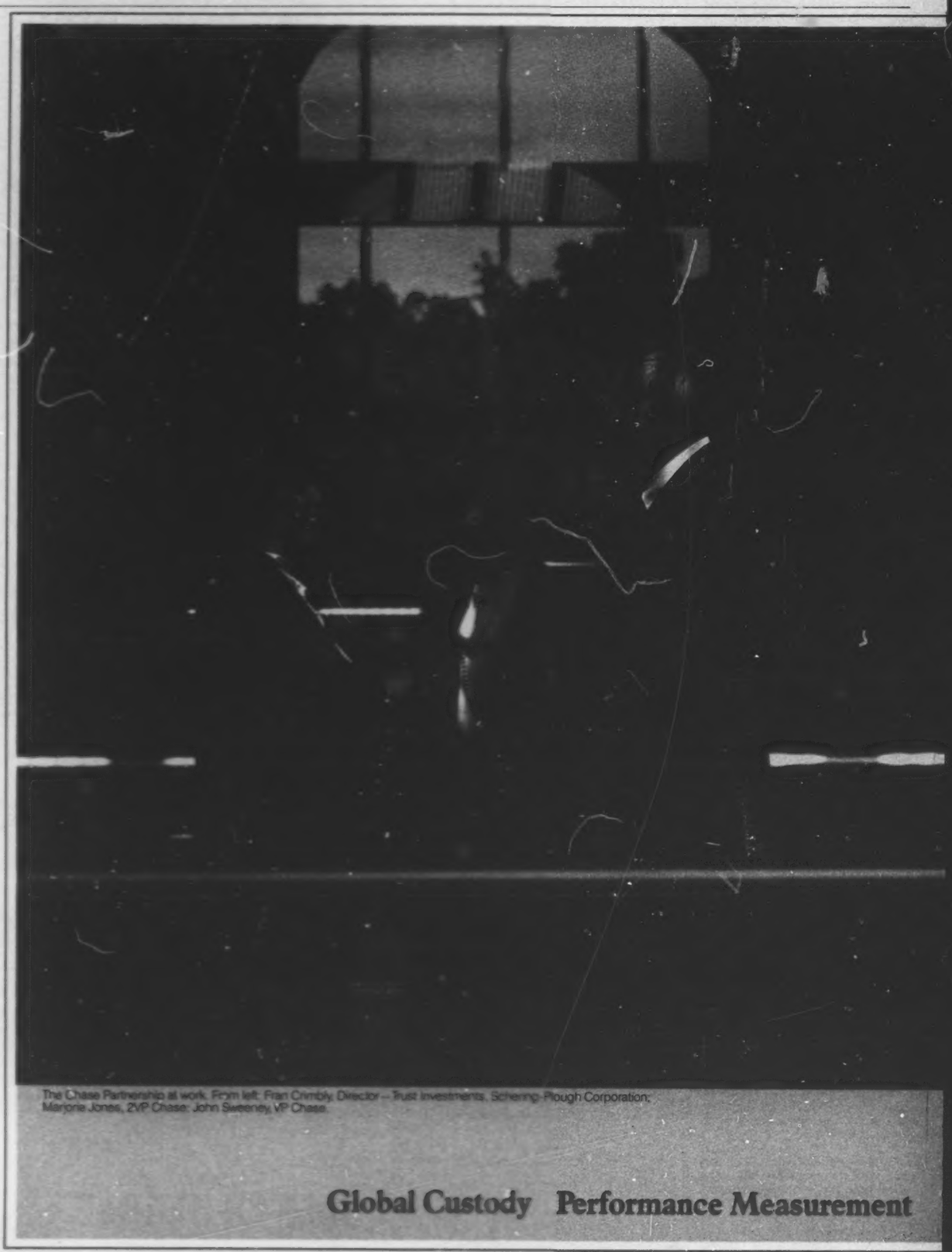
Thereafter, the key was maintaining healthy cash reserves, a heavy concentration in utilities, foods and tobaccos, and an emphasis in high-cap, blue-chip stocks. "We maintained a very cautious approach to the market," Mr. Hackney said.

Late in the year, he committed cash to some stocks that were "badly battered during the 18-month correction," such as high-tech and electronic issues: **Gould Inc., Avnet Inc.** and **NCR Corp.** He also moved into transportation (**Burlington Northern Inc., USAir Inc.**), New York banks (**Citicorp**) and basic industries (**Engelhard Corp., Champion International Corp.**).

This strategy has continued into January.

"The market has undergone a tremendous shift in emphasis over the last 60 days," Mr. Hackney said early this month.

"The Dow utility index led the market through the end of '84 and went dead as a doornail in January," Mr. Hackney said. "The key to 1984 was being cautious, defensive and avoid making mistakes. The key to '85 is capitalizing on the strong market that is likely going to exist into the summer but know when to sell. A good sell decision is going to be critical in late summer, early fall." ■



The Chase Partnership at work. From left: Fran Crimbly, Director – Trust Investments, Schering-Plough Corporation; Marjorie Jones, ZVP Chase; John Sweeney, VP Chase.

Global Custody Performance Measurement

Real Estate

Swings in returns highlight appraisal strategy

By Mark Westerbeck

WESTPORT, Conn. — An extraordinary 23.8% rate of return reported for Coldwell Banker Capital Management Services Fund V for the first nine months of 1984 illustrates the paradoxes that can be caused by a real estate appraisal strategy.

Coldwell explained the performance number shot through the roof last year because the firm appraises conservatively. However, the return was so good it made marketing more difficult.

The 23.8% return on Coldwell Banker's fifth closed-end fund was calculated by "Real Estate Profiles," published quarterly by the consulting firm Evaluation Associates Inc.

The projected annualized return of 32.9% helped raise the return for the three years the fund's performance has been tracked to 19.6%, making it the best performer for all 48 pooled funds tracked by Evaluation Associates during that period.

The lion's share of the nine-month return came in the third quarter. For the first six months of 1984, the Coldwell fund had a more conventional rate of return, 7.7%; after three months, it was 5.7%.

At this rate, the fund would have been exceeded only by J.P. Morgan Investment's open-end fund in 1979 and two of Coldwell's earlier closed-end products in the boom year of 1981.

More importantly, few seasoned funds reporting for at least three years give off returns of at least 19% a year.

The median for all 48 funds reporting for at least three years is 12.5%. The only closed-end fund to cash out thus far, Coldwell's first, returned 14.4% to investors annually for its 10-year life.

So what suddenly happened to Coldwell Banker Fund V? Two things, according to James G. Nugent, senior vice president.

The first had to do with Coldwell's strategy of putting up to 30% of any fund into developmental projects. Any development has no cash flow for at least two years until it reflects substantial leasing, so it is carried on the books at cost — no appreciation. Coldwell counts the building as income when it becomes 50% leased, making the jump in the performance numbers dramatic.

In this case, the property is the 10-story Crossroads office building in San Mateo, Calif. The fund has a 50% joint venture interest in the 152,000-square-foot building, most recently appraised at $12.4 million. Fund V is valued at $67.2 million; capital raised for the fund was $52.8 million.

The second event had to do with the most significant property in the seven-parcel portfolio, the 10-acre plot in booming Tysons Corner, Va., now valued at $18.8 million.

The fund already had a 100% interest in the land and a 158,000-square-foot office building when Homart Development Co. and Theodore N. Lerner, a local investor, bought an 18-acre parcel next to the property with the intent of building a multiuse project.

This caused a second highway to be built alongside Coldwell's plot, giving it in essence a second front door.

Coldwell has determined it can now develop an additional 200,000-square-foot office building on its land. Coldwell's appraisers thus boosted the value on the appropriate parcel of land to $4 million from zero.

Continued on page 30

This warehouse development was bought by a Seattle-area union fund.

Wrap-up

Union fund acquisition

KIRKLAND, Wash. — The Seattle-area chapter of the International Union of Operating Engineers-Employers' Construction Industry Retirement Fund acquired the Par Mac Business Park here for $3.65 million.

The five-building warehouse development is on 117th Place N.E. in the Totem Lake area. It was bought under the guidance of Rainier Real Estate Advisors and Rainier National Bank trust department, Seattle, which are jointly developing and managing the real estate portfolio of the fund.

The seller was Benchmark Inc., a subsidiary of Great Western Federal Savings Bank, and the broker was Coldwell Banker.

"Par Mac adds to our diversification strategy because two buildings are designed for office/warehouse use, while the other three are distribution-type warehouse facilities," Stephen Kates, vice president of Rainier Real Estate Advisors, said in a news release.

Phoenix fund delay

PHOENIX, Ariz. — The $190 million Phoenix City Employees Retirement System probably will defer until its April 17 board meeting the selection of an adviser for its first real estate investments.

The fund, with the help of consultant Kenneth Leventhal & Co., has had a list of five finalists for at least two months, but is holding off on a decision because of the addition in January of new board members and the incomplete makeup of its investment committee, according to City Treasurer Paul Winner.

Interestingly, the finalists include Leventhal, a Big 8 accounting firm. The others are First Equities Institutional Properties Inc., First Chicago Investment Advisors, Am Cal Co. and the slate of commingled funds marketed by Manufacturers Hanover Trust Co. Real Estate Investment Advisory Group.

The city system last year got legislative permission to invest up to 10% of its assets in equity real estate. It is said to want to invest $12 million to $15 million at the start, using cash from expiring short-term instruments.

Equitec buys 2 sites

OAKLAND, Calif. — Equitec Institutional Realty Advisers Inc. has acquired two properties for its first closed-end pool, which was sealed at year end with $31 million from five pension funds.

The first property was an 11-story, 126,000-square-foot office building at 200 S. Hanley in Clayton, Mo., a St. Louis suburb. The federal government rents 35% of that property; the U.S. Postal Service, 10%; and Equitable Life Assurance Society of the United States, 8%.

The second property was a pair of one-story office complexes near the Memphis, Tenn., airport called Executive Plaza and Director's Plaza I.

The 19 buildings holding 279,000 square feet were bought for $14.2 million, including a mortgage of $2.4million that was assumed.

Data Communications and Federal Express lease a total of more than 35% in the properties. On a six-year pro forma that implements a 9% capitalization rate, Equitec projects a 17.72% average annual return.

The five fund participants are SCOA Industries Inc., Columbus, Ohio; K mart Corp., Troy, Mich.; Boise Cascade Corp., Boise, Idaho; Nalco Chemical Corp., Oak Brook, Ill.; and Outdoor Marine Corp., Waukegan, Ill.

In the past several months, SCOA, an original investor in PRISA, added to its real estate portfolio by investing in TCW Realty Advisors' second closed-end

Continued on page 31

Firms prepare for 'consolidation'

By Mark Westerbeck

NEW YORK — With all the "consolidation" real estate money managers anticipate in their industry, the trials and successes of major players take on added importance.

The managers have expressed considerable concern with the growth in their ranks and a market size that hasn't become as big as once anticipated. The number of advisory firms hasn't shrunk dramatically yet, but managers do talk among themselves about a coming "consolidation."

This places new attention on what some of the firms view as their strengths, how they can identify themselves as different, or what new product they can offer to draw pension assets.

Here are just four examples of what's new and different, and how it has been working.

• J.P. Morgan Investment was still Morgan Guaranty Trust Real Estate Group, and Rohit Desai was still in charge of the open-end commingled real estate account, when the decision was made to change its posture from a fund of real estate equities to one now more weighted in equity real estate.

Vice President Timothy Heise, who replaced Mr. Desai when he left last spring, said the growth in the equities was exhausted, causing the strategy shift.

Real estate investment trust stocks "are pretty fully valued right now," Mr. Heise said.

The liquidation was a reaction to changes in the marketplace, not a program. "In general, we don't buy technically," he said.

The fund was conceived in 1970 as one for stocks of real estate companies and investment trusts. In 1980, the switch was made to a few big direct investments a year, with an eye toward value growth through renovation and hybrid debt structures.

Stocks were sold, investments made, and now the fund is 63% in property, according to Evaluation Associates Inc. The rest, as of last September, was 21% cash reserves, 12% real estate stocks, 2% REITs and 2% fixed-income securities.

For years, the stock strategy worked extremely well for Morgan. The fund's 19.1% cumulative annual return dating to 1975 is surpassed only by the Security Capital Real Estate Fund among seasoned pools (Security Capital's is 19.8% since 1977).

The change in strategy has not hurt fund-raising efforts. In Mr. Heise's eight months, the fund has added six new clients (including the State of Connecticut and the Army and Air Force Exchange Service), reaching about 160, and the fund's size grew about 10% to $711 million.

The fund now grows by about $100 million annually. With a cash-on-cash return of more than 9%, $60 million to $70 million is generated internally. With new contributions, the gross growth can range from $100 million to $150 million.

Withdrawals, however, can drag on total growth; last year, Chrysler Corp.'s withdrawal was worth $25 million.

Short-term measures don't apply as well to real estate as to other forms, but for the most recent past, Morgan might have been better off as a stock fund.

In 1982 it paced the market at 23.1%, and in 1983 it was among the leaders at 19.6%. But for 1984 it returned 14% (9.3% cash, 4.7% appreciation), close to Evaluation Associates' estimate, which would put it in the top half of all funds but close to the middle of the pack.

Citibank's real estate stock fund, which does what Morgan once did, returned 17.3% on the year, second among all special equity funds tracked by Pensions & Investments' Performance Evaluation Report.

Citibank's fund leads that category for three years with a 29.1% compound annual return. Morgan's real estate fund returned 19.2% for three years, tops among open-end funds and second among all funds.

• The Boston Co. Real Estate Counsel Inc. is making a gradual shift into property development for its pension fund clients.

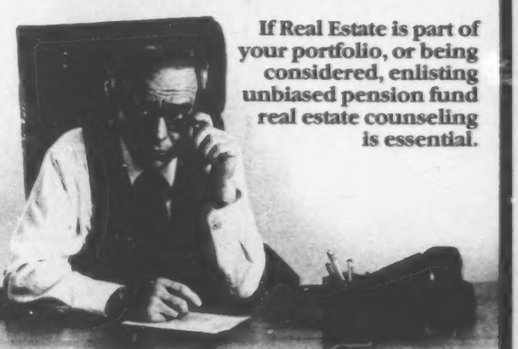
By 1986, Robert A. Radloff, president, wants development and development-oriented projects to be 25% to 30% of the firm's activity.

Since starting this thrust 18 months ago, the firm has put $50 million of highly leveraged pension fund capital into development.

All told, the adviser has invested $600 million of eight clients' capital in properties with a gross value of $1 billion, including the Teacher Retirement System of Texas Teachers, Owens-Illinois Inc. and

Continued on page 32

Are You A Prudent Expert?



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Appraisal . . .

Continued from page 29

This kind of dramatic performance activity hurts Coldwell's current effort of selling Fund VIII because of all the explaining that becomes necessary.

"A lot of people don't understand that we're doing very conservative reporting on development projects," Mr. Nugent said.

"A lot of people don't understand that 30% of our funds are in development projects, and for two years there's nothing until it comes on stream," Mr. Nugent explained.

Other Coldwell funds reflect similar one-shot massive increases in their early years.

Fund IV went from 12.2% in 1980, the lowest among all eight closed-end funds in its first reporting year, to 23.6% in 1981, then back down to 15.5% in 1982 when real estate performance fell off broadly.

The latter figures were in the top quartiles.

Fund III started at 12.4% in 1979, again a market low, then went to 19.3% the next year, still comparatively low, and down to 13.6% in 1981.

Not all managers conduct appraisals regularly. In some cases, they do appraisals for all their funds at the same time once a year, or on their impact on a year-to-year basis.

The RREEF Funds stick out in this regard, expressing much stronger concerns about returns on liquidation of their closed-end funds.

In the figures accompanying this story, the closed-end funds lag the open-end funds overall for the short term, but catch up in the longer-term measures.

Returns on top, bottom funds

The funds listed below are extracted by *Pensions & Investment Age* from a complete list supplied by Evaluation Associates Inc. out of its "Real Estate Profiles" service.

The 9-month returns are for the first three quarters of 1984. For the other periods, Evaluation Associates has annualized the nine-month figures into a full-year return.

The total number of funds in each sample and the median return for those funds are noted.

For the total sample, the median returns were: 9 months, 66 funds, 8.9%; three years, 48 funds, 12.5%; five years, 24 funds, 14.3%.

Open-end funds

9-month returns
(35 funds; median, 9.8%)
Top five returns

	%
Copley Real Estate	17.6
Phoenix Mutual	15.0
Metropolitan Tower Fund	14.4
Prudential PRISA II	14.0
NCNB	13.8

Bottom five returns

	%
InterFirst Bank Dallas	6.8
Wachovia Bank & Trust	6.8
HT Investors	6.7
Connecticut Mutual	6.5
Bank of America	6.1
Citibank	5.6

3-year returns
(33 funds; median, 13%)
Top five returns

	%
J.P. Morgan Investment	19.2
NCNB	16.6
Phoenix Mutual	16.3
First Bank Minneapolis	16.1
Security Capital	15.5

Bottom five returns

	%
Connecticut Mutual	9.3
MRealty Corp.	9.1
Travelers	9.0
Citibank	7.8
New York Life	7.1

5-year returns
(17 funds; median, 14.2%)
Top five returns

	%
Security Capital	20.8
J.P. Morgan Investment	17.4
NCNB	17.3
Chemical Bank	15.6
Wachovia Bank & Trust	15.6

Bottom five returns

	%
InterFirst Bank Dallas	13.1
John Hancock	12.5
Crocker National Bank	12.2
Bank of America	11.8
Travelers	11.8

Closed-end funds

9-month returns
(31 funds; median, 7.4%)
Top five returns

	%
Coldwell Banker V	23.8
Aetna	14.0
John Hancock	13.7
RREEF West V	13.1
JMB I	11.1

Bottom five returns

	%
RREEF USA I	5.1
RREEF West I	4.7
RREEF West IV	4.7
RREEF USA II	4.7
RREEF Midamerica I	3.9

3-year returns
(15 funds; median, 11.3%)
Top five returns

	%
Coldwell Banker V	19.6
JMB I	15.7
RREEF USA II	14.5
RREEF Midamerica II	14.4
Coldwell Banker II	14.3

Bottom five returns

	%
Coldwell Banker VI	11.0
Coldwell Banker III	10.6
RREEF Midamerica I	9.8
Capital Consultants	9.3
RREEF West IV	8.6

5-year returns
(7 funds; median, 15.7%)

	%
Coldwell Banker II	22.1
RREEF West III	16.8
RREEF USA I	16.7
Coldwell Banker IV	15.7
RREEF West I	15.7
RREEF West II	14.1
Coldwell Banker III	13.0

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**Five-year averages as reported in the CDA Investment Technologies, Inc. report for period ending 12/31/84.*

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New firm forms

DALLAS — John D. Gourley, who left as president of Lehndorff & Babson Real Estate Counsel Inc. in July (*Pensions & Investment Age*, July 23), has helped form a new firm here called First Pension Realty Advisors.

He is a partner, as is Roy Mers, formerly vice president and acquisitions officer with the syndicator Robert A. McNeil Corp., and a third, as yet unidentified individual.

First Pension Realty Advisors also has three support personnel, two of whom are real estate professionals.

First Pension will provide acquisition and disposition services and asset and property management for tax-exempt accounts. It offers advice on direct investing and will not offer pooled funds. ■

International

4 managers expand investment activities

Global investment called wave of the future

By Rose Darby

NEW YORK — Three established U.S. money managers, Morgan Stanley Asset Management Inc., and M.D. Sass Associates Inc. and The Prudential Asset Management Co. Inc., are hammering out global investment capabilities in the belief that it's the wave of the future upon which they must be prepared to ride.

In a related development, Batterymarch Financial Management, Boston, will apply its well-known contrarian, value-oriented approach to active international account management, said Alan Strassman, executive vice president.

"We believe we will see, over the next five- to 10-year period, a significant move of U.S. pension fund assets globally," said Martin D. Sass, president of M.D. Sass Associates, New York.

The firm manages roughly $1.6 billion for approximately 100 major pension clients.

"The U.S market is 55% of the world market," he reasoned. "So that means pension funds are not investing in 45% of the world market, or if they are doing so, it is only in a very small way."

Barton M. Biggs, chairman of Morgan Stanley, New York, agreed.

"We believe globalization will be the largest cause of the shift of assets from one manager to another in the next few years," he said. "Preparing for this environment will be the sternest test for senior people in the asset management organizations.

"We are convinced that investing is becoming increasingly global and that the rate of change in this direction will accelerate.

"To some extent, this trend is a reaction to the superior performance over the last decade of foreign markets, but it is also part of the internationalization of business in general."

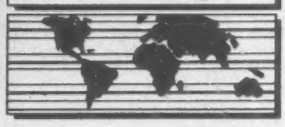
Five years from now, the standard of comparison for American institutional investors might well be the Capital International Index, not the Standard & Poor's 500, said Mr. Biggs.

"It's illogical for us as prudent managers to not look at world markets," said Robert E. Riley, presi-

Continued on page 44

Left, Barton M. Biggs; right, Martin D. Sass.

International update



Prudential buys 2nd international subsidiary

NEWARK, N.J.— The Prudential Insurance Co. of America has acquired its second international pension management subsidiary, Mercator Asset Management.

Mercator is a newly formed global money management firm created by three portfolio managers who recently left Templeton Investment Counsel, St. Petersburg, Fla.

Prudential Capital Management International, the insurer's existing international money management arm, oversees roughly $800 million, of which about $400 million is tax-exempt, said Robert E. Riley, president and chief executive officer of the Prudential Asset Management Co., Newark.

About $260 million of the tax-exempt total is in international equities and $140 million is in bonds.

Although this puts a second international firm under Prudential's umbrella, it by no means ends the insurer's interest in acquiring investment management subsidiaries, said Mr. Riley.

"We haven't closed our eyes to other possibilities," he said. "We said we would look at more than one source in the management area, and we might do so in the domestic equities area yet.

"An organization of our size can use more than one source of assets. We manage only 1% of domestic common stock pension assets, out of the overall U.S. picture."

Prudential Asset Management oversees investment of roughly $4 billion to $5 billion in common stocks for pension funds, he said.

Referring to the differing investment styles of the two international subsidiaries, Mr Riley said, "We know clients will select both types of managers. We're getting a second source of product in Mercator and providing clients with an entrepreneurial environment."

Mercator will open its doors March 1.

Change in international investment

Plan assets	1979	1980	1981	1982	1983	1984
over $1 billion	26%	40%	59%	60%	63%	65%
$501-1,000 million	24	27	42	60	33	41
$251- 500 million	18	24	32	32	30	34
$201- 250 million	5	18	20	22	24	29
$151- 200 million	15	22	17	27	19	30
$101- 150 million	12	7	19	21	24	15
$ 51- 100 million	6	9	13	9	10	10
$ 41- 50 million	4	4	10	11	5	7
$ 31- 40 million	4	4	5	9	11	3
$ 21- 30 million	4	7	5	7	3	5
$ 16- 20 million	0	11	5	8	2	3
$ 10- 15 million	1	0	7	12	0	2
under $10 million	1	3	4	4	0	0
Total companies	**8%**	**13%**	**17%**	**18%**	**19%**	**20%**

Compliments of Greenwich Research Associates

Foreign bank rules

TOKYO — The Japanese Ministry of Finance has released requirements for foreign banks eager to join the ranks of money managers investing Japan's burgeoning $60 billion in pension assets.

Japan's trust business is the fastest growing pool of funds in the world. Estimates put Japanese pension assets at $260 billion 10 years from now.

Eight trust bank licenses initially are being offered to foreigners, because there are eight trust banks doing business in Japan now, said a ministry spokesman in New York.

They are Mitsubishi Trust Bank, Sumitomo Trust Bank, Mitsui Trust Bank, Yasuda Trust Bank, Toyo Trust Bank, Chuo Trust Bank, Nippon Trust Bank and Daiwa Bank.

"But, if the number of foreign banks trying to get permission in Japan is over eight, we can consider other opportunities," the spokesman added.

A trust bank can be established by a foreign bank alone or by a joint venture between the foreign bank and an existing Japanese trust bank, he said.

Applicants must meet three con-

Continued on page 44

Fines possible for unreported deals

By Rose Darby

NEW YORK — Pension funds and their international money managers might be violating federal law if they are not reporting all transactions made for their portfolios in foreign securities.

Fines of up to $10,000 could be levied if the reports are not made to the U.S. Treasury Department.

The Treasury International Capital Reporting System, the division that collects and compiles all data on international portfolio transactions by banks, brokers and nonbanking enterprises such as international money managers, suspects many pension funds are not complying with the law.

The recent popularity of foreign investment among U.S. pension funds has heightened awareness by U.S. Treasury officials that many transactions in foreign securities apparently go unreported, said Gary A. Lee, manager of the TIC Reporting System.

"We have been concerned for some time that the rapid international diversification of U.S. pension fund investments may not be adequately reflected in the statistical series collected under the TIC Reporting System," he said.

"We don't know how much is going unreported, but from what we read in the press, we don't think we're getting it all."

Mr. Lee emphasized compilation of the data was "purely for statistical purposes."

Aggregate totals are used to determine the U.S. balance of payments accounts and to calculate the U.S. international investment position, he explained.

The data also becomes a factor in formulating international financial policy and in government and international circles such as the International Monetary Fund, he added.

The figures are widely relied upon by researchers in both the private and government sectors, he said.

"Banks and securities firms also use the data to gauge how much business they are getting in a particular situation, specifically in terms of market share," Mr. Lee said. In addition, money managers frequently use the data in constructing their investment models.

All data is confidential in that the U.S. Treasury refuses to break out individual information, Mr. Lee said: "Only the national totals are reported."

Collective figures are published in the quarterly Treasury Bulletin, in the monthly Federal Reserve Bulletin and in the quarterly Commerce Department Survey of Current Business.

Willful failure to report can result in criminal prosecution and a conviction could bring a fine of no more than $10,000 and/or imprisonment of no more than 10 years.

Possible reasons cited for the non-compliance included that pension funds might not be aware of the reporting requirements or might believe the bank, insurance company or money manager mak-

Continued on page 44

Prudential buys . . .

Continued from page 43

ditions.

First, only a foreign bank can apply; the door remains shut for foreign securities firms or insurance companies.

Applicants must already manage trust business in their home country, either directly or through a 100% owned subsidiary.

Finally, volume of discretionary pension accounts under management in that home country should exceed 1.2 trillion yen or $4.7 billion.

This is the average volume of discretionary tax-exempt assets in each Japanese trust bank, said the spokesman.

Rumor has it the Finance Ministry expects to give the green light to Citibank, Chase Manhattan Bank, Bank of America and Morgan Guaranty, Britain's National Westminster Bank and Germany's Deutsche Bank.

That leaves two spots for which the rest of the world's bankers will vie.

Ministry of Finance officials could not confirm the report.

Overseas investment

GREENWICH, Conn. — Twenty percent of corporate pension funds had made the leap into international investment by 1984, compared with only 8% in 1979, according to a recent report by Greenwich Research Associates.

As plans get larger, so does the likelihood of their participation in foreign markets, the report showed.

For instance, 65% of plans with more than $1 billion in assets had some portion of assets overseas, according to the study.

This is an increase from roughly 26% for the same plans only four years ago.

In 1984, 41% of plans with $501 million to $1 billion in assets were investing internationally, according to the study. That's up from 24% four years ago.

Plans with assets of $100 million or less, showed the slowest growth of any surveyed.

Ten percent of plans with $51 million to $100 million in assets were investing internationally in the past year, but four years ago 6% of the same group were doing so.

Investment study

GREENWICH, Conn. — Reasons for not investing overseas can vary depending on how much a corporation has in its coffers for pension and employee benefit funds, according to another Greenwich Research Associates study.

From a sampling of more than 1,000 pension funds that don't invest internationally, it was learned 52% of them did not do so because of reluctance on the part of senior management.

For plans with more than $200 million in total assets, senior management reluctance was the reason 53% of the time.

The same reason was given 54% of the time among plans with $200 million to $50 million, and 49% of the time among plans with less than $50 million.

Lack of internal international expertise was the reason 48% of total companies interviewed turned thumbs down on the idea.

Not surprisingly, only 36% of plans with more than $200 million in assets said that was the reason.

Those with $200 million to $50 million gave lack of international expertise as a reason to avoid international 48% of the time, while plans with less than $50 million used that reason 54% of the time.

The risk involved in foreign currency transactions was a reason among 33% of the companies responding.

Thirty-eight percent of plans with more than $200 million used that reason too, while 33% of those with $200 million to $50 million used it. Those with less than $50 million thought foreign currencies were too risky 30% of the time.

Global efforts . . .

Continued from page 43

dent and chief executive officer of Prudential, Newark, N.J.

In an attempt to introduce a global investment capability, the huge insurer recently acquired a newly established global investment firm, Mercator Asset Management in Fort Lauderdale, Fla.

As the first step toward building a worldwide investment network, M.D. Sass set up a Canadian joint venture with Elliot & Page Ltd. of Toronto — Sass, Elliot & Page Inc. (*Pensions & Investment Age*, Feb. 4).

The new company will manage investments of Canadian pensions and other funds in the U.S. securities markets, said Mr. Sass.

Elliot & Page Ltd. has more than $2.5 billion in assets under management and is one of Canada's largest money managers.

The focus at M.D. Sass is on establishment of a global network.

"We are looking for small organizations that are astute money management firms in Europe and the Far East, in terms of possible acquisitions as one entry point," he explained. "The other (approach) is to talk to investment managers in those markets."

He said the firm will offer global investment in stocks, bonds, money market instruments and currency hedging.

At Morgan Stanley, Mr. Biggs said, "Our goal is to provide investment strategy, research, trading, and sales capability that will be extremely useful in this new environment."

This year, Morgan Stanley will spend almost $35 million on investment and economic research, he noted.

"We plan to have a separate foreign research department and we expect to have it at least partly in place by the end of this year," he said. "There will be an investment strategy and research group in Tokyo covering the Japanese and other Far Eastern markets."

Because Morgan Stanley has an office in Australia, a special research effort will be launched there, he added.

"In London, we will have another research and strategy group following the English and European markets.

"In addition to an international investment strategy product, we expect . . . to add technical analysis in both financial markets and in currencies," he said.

International products of a quantitative bent are being developed under a research effort headed by Nunzio Tartaglia, and David O'Connell was made the interim manager for the international research department, Mr. Biggs said.

"We have asked Byron Wien to join us as our investment strategist for the U.S. equity market," he said.

"My comments, from now on, will be focused more on asset allocation, international events, and the relative attractiveness of the world's markets. In other words, I am going to attempt to be a global investment strategist."

At Batterymarch, "our real growth and strong suit is in active management," said Mr. Strassman.

"It's our intention to implement the same systems as we do in domestic management."

Batterymarch set up an international commingled fund, with the intention of doing what few international money managers do, said Mr. Strassman: "That is, to be a contrarian investor and a value-oriented one."

"We think, in the foreign arena, we're in a competitive situation similar to that of a few years ago in the domestic area," he explained.

"The key strategy in the foreign arena is the country-weighting decision.

"We want to overemphasize those countries which are the most depressed and out of favor with other investors. We want to de-emphasize those countries in favor with other investors and which are richly priced."

An electronic system has been adopted in which 24 brokers around the world are calling Batterymarch to do international trading, he said.

The firm now manages between $400 million and $500 million between its international mutual fund and separate account customers, he explained. "Virtually all that business is from existing clients," he said. "We have not been out beating the bushes."

TICS system . . .

Continued from page 43

ing the international investment will do the reporting.

But managers don't automatically do the reporting, Mr. Lee said.

In this case, a foreigner is defined as any U.S. citizen residing abroad, any company operating under the laws of a foreign country, any branch of an American company overseas, any government or person of a foreign country, or any person in the United States acting on behalf of any foreigner.

An investment of $500,000 or more, each month, triggers the reporting requirement, he said.

Thus, when a U.S. pension fund official calls a broker in London to buy or sell a foreign security for the fund's portfolio, the responsibility for reporting is on the pension fund.

Anytime a pension fund orders a money manager, who is overseas without a U.S. office, to buy or sell a foreign security for its portfolio, it is up to the pension fund to do the reporting, he said.

But, if an international money manager has U.S. and overseas offices, and the manager calls its London office, to perform a trade for a U.S. pension fund client, then the U.S. office of that money manager is responsible for reporting, said Mr. Lee.

If a fund has a master trust or a custodial relationship with a U.S. bank overseas, that bank should not be relied upon to do the reporting.

Again, it should be done by the customer, he said.

If funds are invested with a bank, and trades are ordered from the U.S. office of the bank to one of its foreign branches or to a foreign broker, then the bank itself should do the reporting.

Also sharing responsibility for reporting are all U.S. intermediaries for foreign pension funds and their foreign-based money managers, if they are investing portfolios here in the United States, Mr. Lee said.

Banks should get forms from and report to their local Federal Reserve Bank. Non-banks should get forms from and report to the Federal Reserve Bank of New York.

The TIC Reporting System data represents U.S. international portfolio investment as it flows into and out of the United States.

Questions on the reporting requirements can be answered by Mr. Lee at (202) 566-3114, or Loretta Lopez of the New York Federal Reserve Bank at (212) 791-8243. ■

National Wall Street
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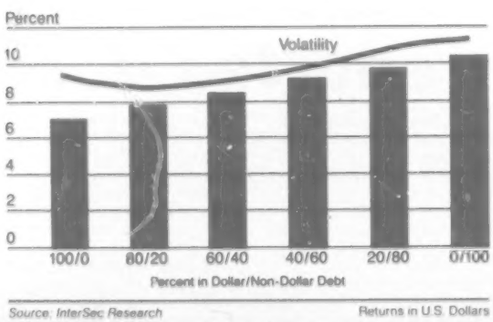

Source: InterSec Research
Returns in U.S. Dollars

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Pensions & Investment Age

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National Can will terminate pension plans

By Trudy Ring

CHICAGO — National Can Corp. intends to terminate pension plans to help bankroll efforts to fight a hostile takeover attempt by Victor Posner's NVF Corp.

The company expects to use at least $15 million in surplus assets from the terminated plans to help pay off loans made to the company's new employee stock ownership plan for purchase of company stock.

National Can has filed documents with the Securities and Exchange Commission in which the company and the ESOP made a tender offer for all outstanding shares of stock at $40 per share.

With the offer, National Can joins a growing list of companies using ESOPs in takeover situations, and a smaller list of companies that use excess assets from plan terminations as part of the deal.

To finance the purchase, refinance older debt and produce working capital, the company has obtained a three-part loan commitment for $480 million from eight banks.

The tender offer documents said surplus pension assets would be used to pay on a 10-year term loan of up to $130 million to finance the ESOP's purchase of shares.

In the offer, National Can promised "to use its best efforts to remove (the excess assets) from its presently existing pension plans, not later than Dec. 31, 1986."

The offer also said National Can's projections of future income are based partly on the assumption that it would reap an after-tax gain of about $8 million from the terminated plans.

National Can officials did not return repeated calls for comment on the pension issue.

According to the tender offer, National Can had pension assets of $193 million and vested liabilities of $150 million as of Jan. 1, 1984.

The firm has several pension plans, but it is expected only its plans for salaried employees will be terminated, since hourly plans often are collectively bargained.

The company and its ESOP are offering to buy 5.4 million shares of National Can common stock, about 52.7% of shares on a fully diluted basis, at $40 per share in cash net to the seller.

The ESOP would buy 900,000 shares and the company, at least 4.5 million.

National Can said it is making the offer to give all stockholders the opportunity to receive the $40 per share they would have received if a merger with NVF Co. would have gone through.

The offer is structured so no third party could acquire control of National Can without paying a premium over the $40 per share.

Financing for the transaction is subject to several conditions, including that upon consummation of the offer, the ESOP own and control at least 50.1% of National Can's outstanding voting stock.

The ESOP received 1 million shares of a new preferred stock issue, with each share carrying four votes. That gave the ESOP 28.1% of the vote overnight.

If it acquires another 900,000 shares and

Continued on page 49

Moves into international

Dart & Kraft hires

By Barry B. Burr

NORTHBROOK, Ill. — In what appears to be less of a restructuring than was expected, Dart & Kraft Inc. shifted about 20% of its $1 billion in pension assets, including moving into international for the first time.

In the process, sources said, Dart & Kraft terminated five equity managers, running a total of $219 million.

In turn, the pension fund hired four other equity managers, including three for international, giving them a total of $112 million. Plus it gave $10 million more to an existing manager.

Dart & Kraft will allocate the roughly $97 million remaining from the dismissed managers among the new and retained managers sometime in the future, rather than hire more managers.

The reshifting appears less ambitious than the major restructuring that William H.S. Preece Jr., director-trust investments, indicated would occur during the past year.

The changes have halted speculation Dart & Kraft would terminate its pension plan, at least for now. It has roughly $400 million in surplus assets on a termination basis. Because of the substantial overfunding, Dart & Kraft hasn't made a contribution to its pension fund since 1981 (*Pensions & Investment Age*, May 14).

In international, Dart & Kraft hired Mellon-Pictet International Management Ltd. and Morgan Grenfell Investment Services Ltd., giving each $25 million. It also gave $10 million to a pooled fund of Vanguard Group Inc., Valley Forge, Pa., managed by Batterymarch Financial Management, Boston.

It was the pension fund's first allocation to Vanguard, although the Valley Forge firm runs a mutual fund for a Dart & Kraft 401(k) tax-sheltered savings plan.

Batterymarch's existing $68 million account for the pension fund is unaffected by the reshifting.

Of the new managers, First Pacific Advisors Inc., Los Angeles, got the biggest allocation, $52 million.

Existing manager Atalanta/Sosnoff Capital Corp., New York, got the smallest allocation, $10 million. It will run a special equity fund.

Continued on page 46

Late news

Mack selects Chase

ALLENTOWN, Pa. — Mack Trucks Inc. reportedly has hired Chase Investors Management Corp., New York, to run $100 million in a quantitatively oriented bond account. Paul McKiel, vice president-trust assets, confirmed a new fixed-income manager was being brought in, but declined to comment further. Late last year, Mack Trucks decided to shift from balanced to specialized management of its more than $300 million in assets.

Sullivan leaves firm

BOSTON — Daniel Sullivan, executive vice president, has left Rollert & Sullivan Inc., a firm he helped found with Gordon Rollert

Continued on page 2

Treasury software

Special section starts on page 11

Salaries of corporate pension executives

Pension assets	Mean salary	Median salary
over $200 million	$89,400	$62,500
$50 million-$200 million	61,800	57,500
under $50 million	70,100	62,500

Salaries of public fund officials

Pension assets	Mean salary	Median salary
over $500 million	$50,400	$45,000
$101 million-$500 million	44,200	45,000
$25 million-$100 million	37,700	35,000
under $25 million	36,800	35,000

Source: Greenwich Research Associates

Salary survey notes disparity

By Rose Darby

GREENWICH, Conn. — Corporate pension executives are paid an average annual salary of $67,000, with an annual bonus of roughly $12,000, a new survey of more than 1,000 such executives shows.

However, another survey with a smaller response showed corporate pension executives in 28 companies had average salaries of $96,000.

The mean salary for the second executive in a pension fund administrative group was $67,986, according to the smaller survey.

The larger survey, conducted by Greenwich Research Associates, a consulting firm, found the mean salary for public pension fund executives was $43,000.

Both surveys showed continuing large salary disparities between corporate and public pension executives. The figures also affirmed the gap between pension executives in general and money managers.

Greenwich Research reported the mean and median salaries paid 1,076 corporate pension executives and 260 public pension administrators, and how they varied with plan size.

A salary survey of 35 company plans, recently conducted by Peat, Marwick, Mitchell & Co., broke out com-

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State fund set to buy new zeros

By Steve Hemmerick

PHOENIX, Ariz. — The Arizona State Retirement System intends to add $90 million in zero-coupon bonds to its current $360 million portfolio of them, one of the largest such portfolios held by a pension fund.

One version of that bond the retirement system is likely to buy is evolving into a security with remarkably diverse financial characteristics, according to public and private financial experts.

It is the Treasury Department's new version of the zero, called STRIPS, that some experts say will become as liquid as cash in about a year, making it far more liquid than any current version.

Yet the bond will retain the same high volatility as other zero-coupon bonds because it is leveraged, or sold at a high discount, unlike a normal Treasury bond.

The new bond also offers high stability; purchasers can lock in a high rate of return, avoiding the dividend reinvestment risk associated with a normal bond. The zero-coupon bond has no dividends to reinvest.

Depending on the need and the point of view, the new bond will offer high liquidity, high volatility and great stability of yield, the experts say.

"Some people are as yet unaware of the revolutionary aspects," of the bond, said John J. Niehencke, deputy assistant secretary for federal finance at the Treasury Department.

The evolution or revolution began in February, when the Treasury began unbundling Treasury bonds from their component parts (STRIPS means separate trading of registered interest and principal of securities).

There are two reasons the bond will become as liquid as cash, a step up from being no more liquid than corporate bonds, and welcomed by potential buyers and sellers, he said.

• It is the Treasury that is offer-

Continued on page 48

Phillips Petroleum's Okarche, Okla., extraction plant.

Texas fund goes against pension tide, backs Phillips

By Barry B. Burr

All but one pension fund interviewed lined up against Phillips Petroleum Co., voting their stock to oppose its recapitalization plan.

The Teacher Retirement System of Texas voted its almost 1 million shares with Phillips' management. It isn't holding onto all its stock, though, acknowledging it has "taken a nice profit out," selling some 600,000 shares of its initial 1.2 million since the quest for Phillips last December.

It appeared, however, most pension funds were voting against Phillips. Some pension funds, in fact, are participating in a package of loan agreements to help Carl C. Icahn, New York financier, acquire the company.

The New Jersey State Division of Investment, Wisconsin State Investment Board, New York City pension funds, Connecticut State Trust Funds and Los Angeles Fire & Police Pension System, among others, voted their shares against Phillips, according to interviews.

Whatever the outcome of the voting, the pension funds and others, including Irwin L. Jacobs, a

Continued on page 46

Fund is independent, not state agency

Court supports N.H. system

By Trudy Ring

CONCORD, N.H. — The $576 million New Hampshire Retirement System is an independent trust, not an agency of state government, the state Supreme Court has ruled.

The decision could set a precedent on the autonomy of public employee retirement systems, which face increasing political pressure concerning the use of their assets.

"I think that's really the main significance of it," said Alan Cleveland, attorney for the system.

The court handed down the decision Feb. 15 in response to a request made by the retirement system in August 1983. The fund sought affirmation of its independence after the state's five-member Governor's Council asserted the council had the right to approve or disapprove most contracts with investment advisers, consultants and actuaries.

The New Hampshire attorney general had upheld the council's claim that the pension fund was an arm of the state executive branch and, as such, had to submit contracts of more than $500 for council approval.

The retirement system sought a judgment on the matter from the state Superior Court, which transferred two questions of law to the Supreme Court. The Supreme Court instructed the lower court to issue an order consistent with the Feb. 15 opinion.

The questions of law were whether the system is an agency or department within the executive branch of state government and, if it is, whether it must submit contracts to the governor and council for approval.

"We answer the first question by concluding that the system is an incorporated pension trust that is independent of the executive branch and therefore need not submit its personal service contracts to the governor and council for review," Chief Justice John King wrote for the Supreme Court.

The court cited three factors it said show the Legislature intended the system to be an independent entity rather than a department or agency of the state executive branch:

"(F)irst, the language of RSA chapter 100-A (the state law that created the system), establishing the system as an incorporated pension trust under the 'full power' of its board of trustees; second, the fiduciary obligation that the trustees owe the system's members and beneficiaries; and third, the long-standing practice by the system of autonomy in its contractual dealings, which established an administrative gloss on the statute."

Since its establishment in 1967, the system never has submitted contracts for the council's approval. However, in April 1983, the executive secretary's staff, acting on the advice of the attorney general, forwarded two existing contracts to the council.

When the council asked for more information about the contracts, fund trustees told Harry M. Descoteau, executive secretary, to ask for return of the documents.

The attorney general then advised the council of the law requiring state agencies to submit personal services contracts of more than $500 for council approval. The council then demanded to see all of the system's existing contracts.

During a series of meetings with the council, retirement system trustees maintained the system was not a state government agency and that they were obligated to administer it as an incorporated pension trust. They then petitioned for a judgment in Superior Court.

The retirement system was established when New Hampshire's pension funds for police, firefighters, teachers and state employees were combined. The state's contributions represent about 8% of all employer and employee contributions to the fund.

The system has 11 trustees — two state employees, two teachers, two police officers, two firefighters, a bank commissioner and two non-

Continued on page 46

Trip, resignation link denied

NEW YORK — Suzanne D. Jaffe said she had decided to resign as chief investment officer of the $22.8 billion New York State Common Retirement System long before a flap erupted over an Egyptian trip she took.

Ms. Jaffe said she was to announce her resignation March 11, but was asked by State Controller Edward V. Regan to announce it earlier, after published reports revealed her trip to Egypt was financed partly by the principal of a securities firm.

Marvin Nailor, spokesman for Mr. Regan, said the controller's position is, "While there may have been an appearance of (a conflict of interest), one didn't exist. The trip and resignation are coincidental."

Mr. Nailor said Mr. Regan has several candidates for Ms. Jaffe's post, and the announcement should be made soon.

Ms. Jaffe said she and Mr. Regan "had been talking over a few months that I was ready to go back and make some money, to get back into the hands-on scenario I'm familiar with."

She said her annual state salary was $73,000, while she had earned $200,000 to $350,000 per year during her 10 years in investment management.

Ms. Jaffe said the trip "had nothing to do with Wall Street." She said she paid her airfare, but her accommodations were paid by Ann Getty, wife of Getty Oil Co. heir Gordon Getty. Alexander Papamarkou, a principal in the New York securities firm Papamarkou Petra & Co., also financed part of the excursion. Mr. Papamarkou's firm does research for the fund.

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Adviser questionnaires sent

In early May, *Pensions & Investment Age* is publishing its annual directory of investment advisers. Questionnaires for this year's directory have been mailed to more than 1,500 firms. To ensure your firm is profiled, please check with your associates to see if a questionnaire was received.

If your firm was one of the almost 700 profiled in last year's directory, questionnaires were addressed to the client contact listed in your firm's entry.

If a questionnaire has not been received, please call Donna Boscarino at (212) 210-0298.

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Late news

Continued from page 1

in 1979. Mr. Sullivan confirmed his departure, but declined to comment further.

Divestment study

WASHINGTON — Divesting a pension fund of stock in companies with operations in South Africa will hurt investment performance in the long term, according to a study by the Investor Responsibility Research Center Inc. The study found divestment boosts transaction costs and is tougher on large, actively managed portfolios.

Late money movers

• NEW YORK — Colgate-Palmolive Co. is wrapping up a review of its roughly $710 million pension program. Officials there would not comment beyond confirming changes were taking place and that they should be completed in April.

Sources, however, said the company's new stable of managers could number nine, about seven of which would be for equity.

Most, if not all, of Colgate's existing managers are expected to retain their accounts. In addition, at least three new equity managers reportedly have been selected: Lehman Management Co. Inc. and First Manhattan Co., both of New York. Officials at those firms declined comment. Sources also said Colgate's equity managers would be running at least $25 million apiece.

According to the 1985 "Money Market Directory," existing managers are New York's Chase Manhattan Bank, Equitable Life Assurance Society of the United States, Citicorp Investment Management and Forstmann-Leff Associates Inc.; Independence Investment Associates, Boston; and Fayez Sarofim & Co., Houston.

• HYATTSVILLE, Md. — The $103 million Washington Suburban Sanitary Commission retirement fund has hired two bond managers: Delaware Investment Advisers Inc., Philadelphia, for $10 million, and Wilmington Trust Co. of Delaware, for $3 million, said Joseph Carrigan, controller.

• LONG BEACH, Calif. — The $4.6 million Long Beach Community Hospital pension fund has hired Winrich Capital Management Inc., Lake Forest, Calif., as its sole manager, dropping Argus Investment Management Inc., Newport Beach, Calif., according to Melayne Yocum, vice president-finance for the hospital.

• NEW HAVEN, Conn. — Armstrong Rubber Co. has made its first move into equity real estate by placing $4.25 million into Phoenix Mutual Life Insurance Co.'s $66 million open-end pooled fund.

The investment is shared by Armstrong's retirement and pension plans, totaling $120 million.

• CHARLESTON, W. Va. — The West Virginia treasurer's office wants to bring the state's $570 million public employee retirement system in-house, dropping Loomis, Sayles & Co. of Boston, the fund's sole manager, for performance reasons. The state auditor opposes dismissal.

Personnel news

• HOUSTON — Eugene C. Hammons, vice president and regional director of William M. Mercer-Meidinger Inc. pension consultants, has resigned to become vice president in charge of the Dallas office of MH Investment Counsel Inc.

• CONCORD, Mass. — Charles Thomas, Loomis, Sayles & Co.'s chief marketer, has left the Boston-based money manager to set up a sales and marketing consulting firm for investment managers, Concord Management Co. Replacing Mr. Thomas as director of marketing is Dougal Thomas, formerly vice president of Loomis' capital growth management group.

• CHARLOTTE, N.C. — Robert B. Yerby, one of the founders of Daniel Breen & Co., Houston, has joined NCNB National Bank as senior vice president in charge of equity portfolio management.

PIPER

The statistical data is extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

New paths taken for special equity

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By Trudy Ring

What worked well for special equity funds in the past several years didn't necessarily work well in 1984.

Funds with an emphasis on small growth stocks generally did poorly in 1984, but their returns for longer periods were good, according to the Pensions & Investments' Performance Evaluation Report on pooled special equity funds of banks and insurance companies.

Those with the best returns for the year had a variety of specialized approaches.

The $8.5 million select equity fund run by RepublicBank Dallas was the best performer of 1984, with a return of 18.5%. The benchmark Standard & Poor's 500 stock index returned 6.3%.

Fund officials try to be stock pickers, said Charles Gaecke, vice president and trust officer. They generally prefer companies with significant management ownership, good fundamentals and a good outlook for at least the next year.

Another requirement for investment is direct contact with the company's top management. "We want to know what the chairman is thinking," Mr. Gaecke said.

The fund, established in 1983, is not particularly diversified. It holds stocks in just nine companies — **Orion Pictures, Louis Galoob & Co., Fur Vaults, Wheeling-Pittsburgh Steel Corp., Ampco-Pittsburgh Corp., Gulfstream Aerospace Corp., American Bankers Insurance Group, Whitehall Corp.** and **American Carriers.**

Mr. Gaecke said he sees a stock picker's market in 1985. The market will be led by multiple expansion more than earnings growth, he said.

A fund specializing in real estate stocks had the second best return for 1984 and the best compound annual return for the past three years.

The real estate stock fund of Citicorp Investment Management had a 17.3% return for the year and 29.1% for the three years. It was established in 1980.

The fund's charter allows it to invest in companies that own or manage real estate or provide essential services to the real estate industry, said Anne Mengden, vice president of the firm.

In 1982 and 1983, the fund had significant holdings in home-building company stocks, which responded favorably when interest rates declined, Ms. Mengden said.

In early 1984, it shifted toward companies that own real estate. These include many real estate investment trusts, which provided good yields and dividend growth in a difficult market, she said.

Some of the fund's current holdings are **The Rouse Co., First Union Real Estate, BankAmerica Realty** and **Federal Realty.**

Ms. Mengden said she expects the fund to continue heavily in REITs in 1985. She does not expect major upheavals in the stock market.

She declined to disclose the total amount in the fund.

Some funds whose long-term performance was excellent had the bottom fall out in 1984.

The $28 million supplemental equity fund run by California First Capital Management, La Jolla, ranked first in the five-year period, with a compound annual return of 29.3%. During this period, the S&P 500 returned 14.9%.

The fund also outperformed the S&P 500 for three years, with a compound annual return of 18.3% compared with 16.6% for the index, and 10 years, with 22.1% compared with 14.9%.

Continued on page 43

Dollar's role strong in 4th-quarter data

By Rose Darby.

NEW YORK — The U.S. dollar's continued march forward held sway over investment results for the international commingled equity and fixed-income funds leading the Pensions & Investments' Performance Evaluation Report for the final quarter of 1984.

Indeed, of the 30-fund universe, those that tempered currency risk distribution with careful issue selection — in terms of maturity for fixed-income funds and geographic stock picking for equity funds — emerged nearest the top.

The First National Bank of Chicago's $20 million international fixed-income fund led all others for the fourth quarter, with a time-weighted total return of 7.3%.

"We correctly forecast that U.S. dollar interest rates would decline, and structured the portfolio so it would have an above-average sensitivity to changes in interest rates," said Richard Carr, managing director-international investments for First Chicago Investment Advisors, which oversees the fund.

"We thus benefited enormously from this decline in interest rates," he said.

The fund, composed primarily of Eurodollar and yankee bonds, had an average maturity of 9.1 years, he said.

Mr. Carr pointed to the dollar's strength as the one variable that made up for any losses that might have been incurred in the quarter and the year.

"In comparing us with other international funds, we suffered no currency loss because our fund's investments are dollar denominated," he said.

The fund is invested in very high-quality bonds, government-backed or government agency issues, he explained.

Specifically, European Investment Bank, Government of Denmark, European Economic Community and Asian Development Bank bonds were included in that group, he said.

At year end, roughly 77% of the total portfolio was in Standard & Poor's-rated triple-A issues, 23% in double-A and 11% in corporate bonds.

Capital International's Europe Australia Far East Index for the fourth quarter of 1984 had a 5.1% time-weighted total return, which put the index in fourth place for the period.

Continued on page 44

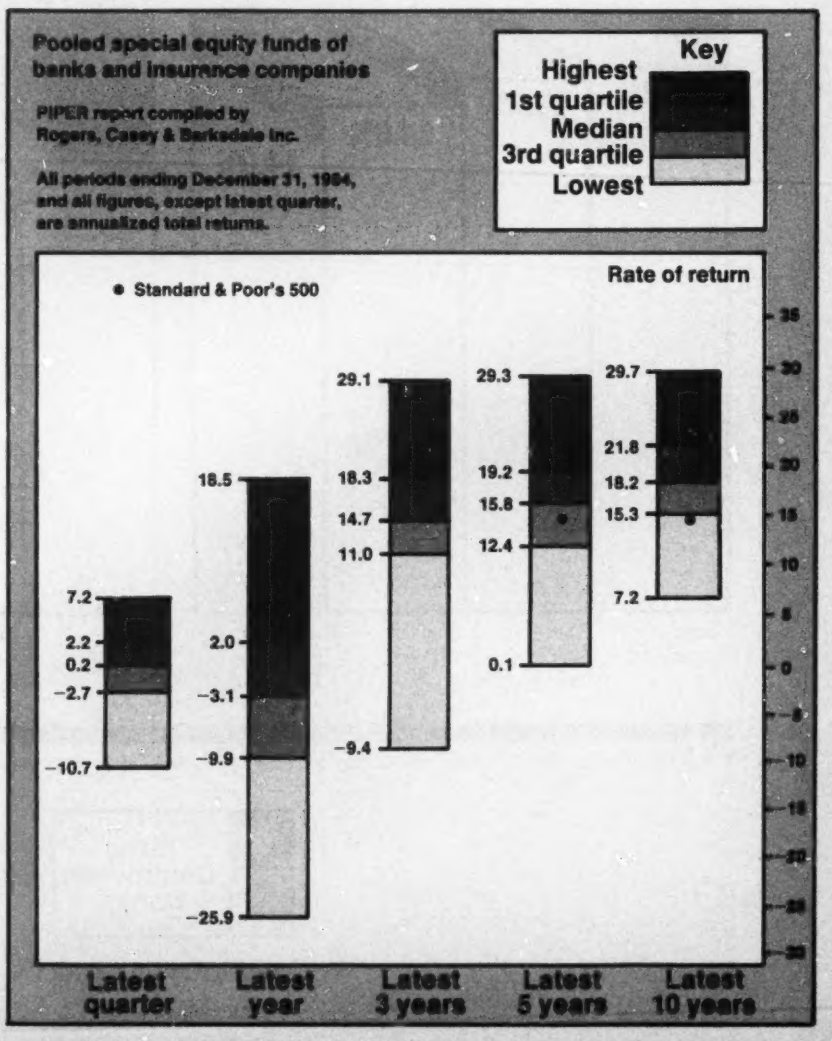
Top commingled special equity funds

3-month returns

	%
First of Neenah, Wis.	7.2
Provident National, Pa.	5.9
First Trust St. Paul	5.2
MBank, Austin, Texas	4.4
Prudential, N.J.	4.4
Summit Trust, N.J.	4.2
Old Second Natl., Ill.	4.2
Shawmut Bank, Mass.	4.1
Mutual of New York	3.8
First of Boston, Mass.	3.8
Trust Co. of the West	3.7
Citibank (R.E. stock), N.Y.	3.6
Citibank (special), N.Y.	3.0
Fidelity Mgmt. Trust, Mass.	2.9
Merchants National, Ind.	2.8
Pittsburgh Natl., Pa.	2.8
First of Maryland	2.7
National Bank of Detroit	2.6
First National of Tulsa	2.6
First of Chicago	2.3
Bank of New York	2.3
Manufacturers Hanover, N.Y.	2.2
First of Neenah, Wis.	2.2
Wachovia Bank, N.C.	2.2
CIGNA Corp., Conn.	2.0
Oregon Bank	2.0
Standard & Poor's 500	1.9
Sentry Life, Wis.	1.7
Seafirst Bank, Wash.	1.5
First of Minneapolis, Minn.	1.3
Trust Co. of Georgia	1.2
MBank, Fort Worth, Texas	1.2
Texas American Bank	1.1
Bankers Trust, N.Y.	1.0
Chase Manhattan, N.Y.	1.0
Chase Manhattan (spec.), N.Y.	0.9
United Virginia Bank	0.9
Maryland National	0.8
Central National, Cleveland	0.7
Valencia Bank, Calif.	0.7
AmeriTrust, Ohio	0.6
Manufacturers Hanover, N.Y.	0.5
Trust Co. of Georgia	0.5
Bank of New York	0.5
Bank of America, Calif.	0.4
Mellon Bank, Pa.	0.4
First Wisconsin Trust	0.3
Sovran Bank, Va.	0.3
Manufacturers Detroit	0.2

1-year returns

	%
Republic National, Dallas	18.5
Citibank, N.Y.	17.3
MBank, Fort Worth, Texas	13.5
Prudential, N.J.	12.1
First of Neenah, Wis.	11.6
First of Boston, Mass.	10.3
Mutual of New York	8.9
MBank Austin, Texas	8.6
Provident National, Pa.	7.7
Valencia Bank, Calif.	7.7
Standard & Poor's 500	6.3
Shawmut Bank, Mass.	6.2
United Virginia Bank	5.4
Merchants National, Ind.	5.0
First Trust St. Paul	4.6
Manufacturers Hanover, N.Y.	4.5
National Bank of Detroit	3.6
Metropolitan Life, N.Y.	3.4
Pittsburgh National, Pa.	3.3
First of Neenah, Wis.	3.2
Fidelity Mgmt. Trust, Mass.	3.0
Old Second National, Ill.	2.2
Sovran Bank, Va.	2.1
American Fletcher, Ind.	2.0
Wachovia Bank, N.C.	2.0
Bank of New York	2.0
Trust Co. of Georgia	1.3
Manufacturers Detroit	1.3
Oregon Bank	0.9
First of Maryland	0.9
Chase Manhattan, N.Y.	0.8
First of Minneapolis	0.7
First of Chicago	0.2
Chase Manhattan (int. cap.), N.Y.	0.2
Chase Manhattan (val. eq.), N.Y.	0.2
Trust Co. of Georgia	−0.5
Sentry Life, Wis.	−0.6
Manufacturers Hanover, N.Y.	−0.7
Mellon Bank, Pa.	−0.7
Wachovia Bank, N.C.	−0.8
Central Natl., Cleveland	−0.8
Mid-State Bancorp., Pa.	−0.9
Interfirst Invt. Mgmt. Texas	−1.3
Citibank, N.Y.	−2.1
Trust Co. of the West	−2.2
Natl. Bank of Commerce, Tenn.	−2.3
Prudential, N.J.	−2.5
Morgan Guaranty, N.Y.	−3.1



3-year returns

	%
Citibank, N.Y.	29.1
Security Pacific, Calif.	27.4
Provident National, Pa.	26.4
Wachovia Bank, N.C.	23.4
National City, Cleveland	21.8
Chase Manhattan, N.Y.	21.8
National Bank of Detroit	21.0
First of Boston, Mass.	20.8
First Trust St. Paul	20.6
Prudential, N.J.	20.4
Central National Cleveland	20.3
Manufacturers Hanover, N.Y.	19.9
First of Maryland	19.3
Connecticut Bank & Trust	19.2
Connecticut National Bank	19.2
Chase Manhattan, N.Y.	19.0
First of Chicago	18.9
American Security, D.C.	18.5
Mutual of New York	18.3
California First Bank	18.3
First Pennsylvania Bank	18.1
United Virginia Bank	17.8
Chase Manhattan, N.Y.	17.6
MTrust, Texas	17.5
Citibank, N.Y.	17.4
Prudential, N.J.	17.1
Bank of New York	17.0
Morgan Guaranty, N.Y.	16.6
Standard & Poor's 500	**16.6**
Bankers Trust, N.Y.	16.5
Oregon Bank	16.5
Citibank, N.Y.	16.4
Equitable Life, N.Y.	16.0
Merchants National, Ala.	15.7
Merchants National, Ind.	15.4
Bank of America, Calif.	15.3
Interfirst Invt. Mgmt., Texas	15.2
MBank, Fort Worth, Texas	15.0
Metropolitan Life, N.Y.	14.8
Bank One, Ohio	14.8
Trust Co. of Georgia	14.7
Bank of New York	14.7

5-year returns

	%
California First Bank	29.3
MTrust, Texas	24.9
Provident National, Pa.	24.9
Merchants National, Ala.	22.4
First of Maryland	21.4
Chase Manhattan, N.Y.	20.9
Interfirst Invt. Mgmt. Texas	20.7
Bankers Trust, N.Y.	20.5
Chase Manhattan, N.Y.	20.4
Northern Trust, Ill.	20.2
Bank of America, Calif.	20.2
First of Chicago	19.5
Continental Illinois	19.4
Northern Central, Pa.	19.4
Connecticut Bank & Trust	19.0
Citibank, N.Y.	18.7
Prudential, N.J.	18.6
First Trust St. Paul	18.3
First Pennsylvania Bank	17.8
Citibank, N.Y.	17.8
Bank One, Ohio	17.7
National City Cleveland	17.7
First Interstate of Nevada	17.7
Chase Manhattan, N.Y.	17.4
Equitable Life, N.Y.	17.2
United Virginia Bank	17.2
Metropolitan Life, N.Y.	16.3
Mutual of New York	15.8
First Wisconsin Trust	15.8
Standard & Poor's 500	**14.9**

10-year returns

	%
MTrust, Texas	29.7
Equitable Bank, Md.	26.7
Chase Manhattan, N.Y.	25.2
Bankers Trust, N.Y.	24.1
Provident National, Pa.	23.6
Citibank, N.Y.	23.6
First of Maryland	23.4
California First Bank	22.1
Bank of America, Calif.	21.9
Connecticut Bank & Trust	21.6
Interfirst Invt. Mgmt. Texas	21.6
Morgan Guaranty, N.Y.	21.4
Equitable Life, N.Y.	21.3
National City Cleveland	20.3
Manufacturers Hanover, N.Y.	20.1
AmeriTrust, Ohio	19.5
Republic National, Dallas	18.9
Citibank, N.Y.	18.3
Standard & Poor's 500	**14.9**

Commingled international funds

3-month returns

	%
First of Chicago	7.3
Prudential (Global bond), N.J.	5.8
American National, Chicago	5.3
EAFE	**5.1**
Prudential (Foreign stock), N.J.	3.8
State Street Bank, Boston	3.8
Morgan Guaranty, N.Y.	3.0
Aetna Montagu, Conn.	2.8
Crocker National, Calif.	2.5
Prudential (Foreign bond), N.J.	2.3

1-year returns

	%
First of Chicago	16.5
Prudential (Global bond), N.J.	12.0
State Street Bank, Boston	9.8
Crocker National, Calif.	9.2
American National, Chicago	8.3
EAFE	**7.9**
Morgan Guaranty, N.Y.	2.3
Bankers Trust, N.Y.	1.1
Prudential (Foreign bond), N.J.	0.9
First of Chicago (Intl. eq.)	0.6

3-year returns

	%
First of Chicago	20.2
IDS Trust, Minn.	15.3
State Street Bank, Boston	11.3
Bankers Trust, N.Y.	10.3
EAFE	**10.1**
American National, Chicago	9.4
US Trust, N.Y.	8.8
First of Chicago	7.7
Morgan Guaranty (Intl. eq.), N.Y.	7.3
Morgan Guaranty (Intl. bond), N.Y.	7.0

5-year returns

	%
US Trust, N.Y.	15.0
EAFE	**10.4**
American National, Chicago	10.5
Citibank, N.Y.	9.3
Morgan Guaranty, N.Y.	9.2

10-year returns

	%
Morgan Guaranty, N.Y.	16.0
US Trust, N.Y.	15.4
EAFE	**14.8**
First of Chicago	12.4

Returns for several insurers in the Pensions & Investments' Performance Evaluation Report were reported incorrectly Feb. 18. Below are the corrected equity and fixed-income data.

Commingled equity funds

1-year returns

	%
Aetna Life & Casualty, Conn.	4.0
Bankers Life, Iowa	−0.1
Connecticut Mutual Life	4.8
Crown Life, Ontario	2.2
First Variable Life, Ark.	−3.3
General American, Mo.	−1.9
Great West Life Assurance	5.0
Guardian Insurance, N.Y.	12.7
Lincoln Natl. Pens., Ind.	0.9
Manufacturers Life, Ontario	2.2
Massachusette Mutual	5.7
Metropolitan Life, N.Y.	5.3
Minnesota Mutual	2.1
Mutual of New York	1.0
New England Mutual	−1.5
New England Mutual (Sep. cap)	−3.2
Pacific Mutual, Calif.	−6.7
Phoenix Mutual, Conn.	9.9
Travelers, Conn.	1.8

3-year returns

	%
Aetna Life & Casualty, Conn.	17.3
Bankers Life, Iowa	16.5
Connecticut Mutual Life	24.1
Crown Life, Ontario	11.5
First Variable Life, Ark.	26.7
General American, Mo.	10.4
Great West Life Assurance	14.4
Guardian Insurance, N.Y.	22.0
Lincoln Natl. Pens., Ind.	13.9
Manufacturers Life, Ontario	32.9
Massachusetts Mutual	18.4
Metropolitan Life, N.Y.	14.2
Minnesota Mutual	20.5
Mutual of New York	14.6
New England Mutual	17.1
New England Mutual (Sep.)	21.3
Pacific Mutual, Calif.	6.2
Phoenix Mutual, Conn.	14.1
Travelers, Conn.	10.6

5-year returns

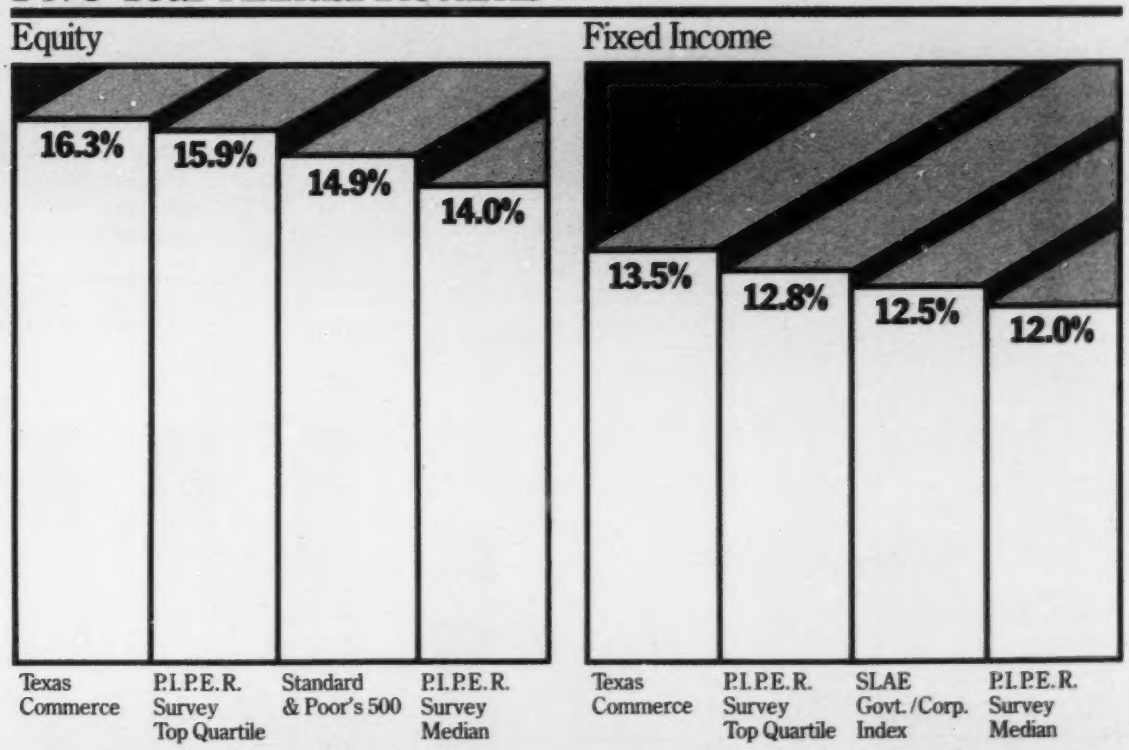
	%
Aetna Life & Casualty, Conn.	17.2
Bankers [illegible]	15.6
Connecticut Mutual [illegible]	18.9
Crown Life, Ontario	10.2

Texas Commerce Trust Investment Performance:

Compare the results.

Five Year Annual Returns

(Period Ended December 31, 1984)



Call Russ Schulze, Institutional Trust Group, at (713) 236-5788 for more information.

Texas Commerce Banks

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First Variable Life, Ark.	20.3
General American, Mo.	11.0
Great West Life Assurance	13.4
Guardian Insurance, N.Y.	18.5
Lincoln Natl. Pens., Ind.	(1)
Manufacturers Life, Ontario	29.2
Massachusetts Mutual	18.2
Metropolitan Life, N.Y.	13.4
Minnesota Mutual	16.7
Mutual of New York	12.1
New England Mutual	14.9
New England Mutual (Sep.)	19.9
Pacific Mutual, Calif.	10.4
Phoenix Mutual, Conn.	15.9
Travelers, Conn.	12.8

10-year returns

	%
Aetna Life & Casualty, Conn.	17.7
Bankers Life, Iowa	19.9
Connecticut Mutual Life	14.5
Crown Life, Ontario	14.3
First Variable Life, Ark.	22.0
General American, Mo.	(1)
Great West Life Assurance	11.4
Guardian Insurance, N.Y.	22.8
Lincoln Natl. Pens., Ind.	(1)
Manufacturers Life, Ontario	27.1
Massachusetts Mutual	17.0
Metropolitan Life, N.Y.	11.3
Minnesota Mutual	15.8
Mutual of New York	11.7
New England Mutual	13.5
New England Mutual (Sep.)	16.1
Pacific Mutual, Calif.	12.9
Phoenix Mutual, Conn.	15.0
Travelers, Conn.	13.5

(1) Fund too new.

Commingled fixed income funds

1-year returns

	%
Aetna Life & Casualty, Conn.	13.2
Crown Life, Ontario	10.7
General American (Sep. acct. 8)	12.3
General American (Sep. acct. 9)	14.1
Lincoln Natl. Pens., Ind.	14.1
Manufacturers Life, Ontario	13.8
Massachusetts Mutual	12.6
Minnesota Mutual	13.6
Mutual of New York (Priv.)	16.3
Mutual of New York (Pub.)	15.2
New England Mutual, Mass.	11.7
Pacific Mutual, Calif.	15.6
Travelers, Conn.	15.4

3-year returns

	%
Aetna Life & Casualty, Conn.	16.0
Crown Life, Ontario	15.1
General American (Sep. acct. 8)	15.1
General American (Sep. acct. 9)	(1)
Lincoln Natl. Pens., Ind.	17.3
Manufacturers Life, Ontario	12.1
Massachusetts Mutual	16.4
Minnesota Mutual	17.0
Mutual of New York (Priv.)	20.2
Mutual of New York (Pub.)	19.5
New England Mutual, Mass.	16.1
Pacific Mutual, Calif.	19.3
Travelers, Conn.	15.9

5-year returns

	%
Aetna Life & Casualty, Conn.	(1)
Crown Life, Ontario	10.7
General American (Sep. acct. 8)	(1)
General American (Sep. acct. 9)	(1)
Lincoln Natl. Pens., Ind.	(1)
Manufacturers Life, Ontario	8.5
Massachusetts Mutual	11.6
Minnesota Mutual	11.7
Mutual of New York (Priv.)	12.5
Mutual of New York (Pub.)	13.0
New England Mutual, Mass.	10.0
Pacific Mutual, Calif.	13.7
Travelers, Conn.	10.9

10-year returns

	%
Aetna Life & Casualty, Conn.	(1)
Crown Life, Ontario	8.6
General American (Sep. acct. 8)	(1)
General American (Sep. acct. 9)	(1)
Lincoln Natl. Pens., Ind.	(1)
Manufacturers Life, Ontario	(1)
Massachusetts Mutual	9.4
Minnesota Mutual	(1)
Mutual of New York (Priv.)	(1)
Mutual of New York (Pub.)	(1)
New England Mutual, Mass.	8.5
Pacific Mutual, Calif.	12.5
Travelers, Conn.	(1)

(1) Fund too new.

Klemm, Black join Warburg

NEW YORK — Richard Klemm, formerly vice president-pension fund management at GTE Corp., will join Warburg Pincus Counsellors as director of marketing.

Also, Susan Black, formerly a partner at Century Capital Associates, has been hired as vice president, portfolio manager and analyst.

Warburg hired the two in an effort to heighten its presence as a money manager, for both institutions and high-net-worth individuals, said Edwin LeGard, managing director and executive vice president.

The firm manages roughly $1 billion in tax-exempt accounts plus an equal amount for private individuals, he explained. ■

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